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## **China**

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# China

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## SOUTHEAST ASIA/PACIFIC

### Vietnamese Troop Withdrawal From Cambodia Called Hoax

HK1610041889 Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 41, 9 Oct 89 pp 26-27

[Article by Tang Tianri (0781 1131 2480): "Vietnam's Action in Overt Troop Withdrawal and Covert Troop Retention Will Leave Many Undesirable Consequences in Cambodia"]

[Text] After playing the hoax of "troop withdrawal" many times, the Vietnamese authorities performed the scene of the so-called "final troop withdrawal" between 21 and 26 September in Cambodia, a stage which has drawn worldwide attention. Is this troop withdrawal really the final withdrawal of all troops? What impact will it have on the future situation in Cambodia? The international community has doubts and concern about these.

According to what Vietnam announced in a communique, the "final batch of troops" withdrawn from Cambodia this time included ground, sea, and air forces totaling 26,000 members. This, together with the 24,000 Vietnamese troops stationed in Cambodia that had been withdrawn from May to July, totaled 50,000 troops. Hanoi said that this is "the total number of Vietnamese garrison troops" currently in Cambodia and, as "all troops have been withdrawn, there will be no more Vietnamese troops in Cambodia" from now on.

The so-called "final troop withdrawal" is an action of "unilateral troop withdrawal" adopted by Vietnam with neither international agreement nor international supervision. People know that the basic objective of the international conference on the Cambodian issue held in Paris not long ago is to reach an agreement for a comprehensive and fair solution to the Cambodian issue in order to end the Cambodian war which has been going on for more than 10 years. The agreement includes two key points: First, the establishment of an international supervisory mechanism under the sponsorship of the United Nations to exercise effective international supervision over Vietnamese troop withdrawal; second, the establishment of a quadripartite provisional coalition government headed by Prince Sihanouk. This objective won approval and support of most conference participants, but was rejected and opposed by Vietnam and the Phnom Penh regime, which is supported by Vietnam. Not only did Vietnam reject the establishment of the quadripartite provisional coalition government but it also put forward some unreasonable conditions to oppose the international supervision participated and sponsored by the United Nations. Therefore, without reaching any agreement, the Paris international conference came to an end. In the absence of international agreement and international supervision, the action of "unilateral troop withdrawal" adopted by Vietnam and

its assertion that it has "finally" and "completely" withdrawn its troops from Cambodia is hardly convincing.

It is generally regarded that whether or not Vietnam has really withdrawn all its troops from Cambodia should be weighed and examined mainly according to the following criteria: First, whether Vietnam has withdrawn all its regular troops and weaponry from Cambodia; second, whether Vietnam has totally withdrawn its other kinds of armed forces from Cambodia, including the military staff hidden in the puppet troops of the Phnom Penh regime and the armed militia among Vietnamese immigrants; third, whether Vietnamese troops will return to Vietnam on certain pretext or by certain means following the troop withdrawal. How did Vietnam measure up to the above-mentioned points in the so-called "final troop withdrawal" without international supervision? People can find the answer from facts.

Vietnam announced that the number of its regular Army remaining in Cambodia in 1989 was only 50,000, but, in fact, the number of its regular Army far exceeded this figure. According to the verification of the Cambodian resistance forces, the total military strength of Vietnamese regular Army units on the Cambodian battlefield currently stood at 108,000. The estimates by some Western intelligence agencies were more or less the same. In addition to the regular Army, Vietnam also had many armed forces of other kinds, which have been hidden by various means. They were either put into the puppet army by breaking up the whole into parts; infiltrated the organs of the puppet Cambodian regime at all levels, enterprises, and villages by pretending to be Cambodians; or organized armed militia among Vietnamese immigrants. It is learned that the above-mentioned Vietnamese forces totaled more than 100,000. In this way, even though Vietnam has completed the so-called "final troop withdrawal" plan, a lot of regular troops and armed forces of other kinds will still remain in Cambodia in disguise. On 19 September, Nguyen Van Thai, a spokesman for the Ministry of National Defense, undisguisedly said at a press conference held in Hanoi, "After Vietnam has completed the work of troop withdrawal from Cambodia, if the resistance forces of democratic Cambodia threaten the survival of the Phnom Penh regime or the Phnom Penh regime demands external assistance, Vietnam will probably send troops to Cambodia again."

The next day, Vietnamese Foreign Affairs Minister Nguyen Co Thach, who was in Bangkok at that time, declared in a hurry that the troop withdrawal from Cambodia is a question of strategic significance to Vietnam and, once Vietnamese troops are withdrawn from Cambodia, they will not return to Cambodia no matter what happens. The fact that the minister of foreign affairs tried to shield the ministry of national defense can only show that the more he tries to hide, the more it is exposed. In fact, before the Vietnamese troops that had invaded Cambodia started to withdraw from

Cambodia, Vietnam was reported to have sent two divisions of troops from Vietnam to the western front of Cambodia.

Such a "final troop withdrawal" by Vietnam obviously cannot be the real withdrawal of all troops. Through this troop withdrawal, Vietnam intended to create false impression of "withdrawing all troops" so that people would believe that the nature of Cambodia's conflict had changed, that is, that a war of aggression and anti-aggression had been turned into a "civil war." In this way, Vietnam can put the Cambodian issue on the track of "partial solution" designed by it. In so doing, it can kill two birds with one stone: First, it can cast off the label of being an aggressor and thus extricate itself from the difficult situation of being beset with difficulties both at home and abroad; second, actually hiding its soldiers under the name of troop withdrawal, it can continue to invade and control Cambodia.

The development of the future Cambodian situation is independent of Vietnam's wishful thinking and subjective wishes. Vietnam's "final troop withdrawal" is, in fact, an act of overt troop withdrawal and covert troop retention. It will never be acknowledged by the international community. So long as the Vietnamese troops invading Cambodia remain in Cambodia, the nature of the Cambodian conflict, namely, the conflict of aggression and anti-aggression, cannot be changed, and Vietnamese authorities can never unload the heavy burden of the Cambodian issue created by Vietnam itself. The struggles of the Cambodian resistance forces will still be the continuation of the struggle against Vietnamese invasion rather than a "civil war." This just struggle will continue to win the support of the international community. Vietnam's action in overt troop withdrawal and covert troop retention will leave many undesirable consequences to the overall solution of the Cambodian issue and the Vietnamese authorities have to bear unshirkable responsibility for this.

## NEAR EAST/SOUTH ASIA

### Plans for Peace in Middle East Viewed

HK1411025189 Beijing JIEFANGJUN BAO in Chinese  
2 Nov 89 p 4

[Article by Tang Ping (2768 5493): "Old Problems, New Disputes—On Four Plans for the Middle East Issue"]

[Text] At present, the peace process of the Middle East has reached an impasse mainly because of the differences and disputes concerning the way to handle the problem of territory occupied by Israel. To solve this longstanding problem, the PLO and Israel have put forward two sharply contrasting proposals. In the meantime, Egypt and the United States have recently also proposed their own plans.

The so-called occupied territory means the territory occupied by Israel during the previous Middle East wars,

including the West Bank of the Jordan River and the Gaza Strip, which were formerly Palestinian territory.

From the end of last year up to the present, the PLO has repeatedly put forward its peace proposals whose main content includes: In accordance with UN Resolution 181 adopted in 1947, an independent Palestine state will be established on the occupied territory with Jerusalem as its capital, which will peacefully coexist with its neighboring country Israel; and under the supervision of the United Nations, all Israeli troops must be withdrawn from the occupied territory. After that, the territory will become a trust territory of the United Nations for a period of 6 months to 1 year. During the period of trusteeship, the Palestinian people in the occupied territory including East Jerusalem will hold an election under the supervision of the United Nations to establish a transitional state power. This shows that the proposal put forward by the Palestinian side is a proposal which can eventually lead to the establishment of an independent Palestinian state. This proposal has been widely supported and favored by the international community. But Israel has opposed it.

In April of this year, Israeli Prime Minister Shamir proposed a plan for an election to be held in the occupied territory, the main content of which includes: A "free election" will be held in the occupied territory; self-government will be carried out for 5 years; during the 3d year of self-government, Israel will hold talks with the elected Palestine delegates, and invite Egypt and Jordan to participate in the talks to reach an agreement acceptable to all sides. The crux of the plan is to let the Palestinian people carry out their "restricted self-government" without holding talks with the PLO. It opposes the establishment of a Palestinian state, and stresses that the status of the occupied territory will not change. World public opinion surveys point out that this plan is no more than a reproduction of the Camp David agreement reached 10 years ago. It is, of course, rejected and opposed by the PLO and the Palestinian people.

To break the deadlock between Palestine and Israel, on 10 September Egyptian President Mubarak put forward a 10-point peace plan based on the two proposals mentioned above. To satisfy the basic demand of the Palestinians, Mubarak's plan stresses a principle of "exchanging peace with land," and advocates that the Palestinian people in East Jerusalem must be allowed to take part in the election, and that Jewish new settlements must no longer be established in the occupied territory. To take the stand of Israel into consideration, Mubarak avoids the issues of establishing the state of Palestine and the dialogue between the PLO and Israel. Israel has also rejected this compromise plan. Although the PLO favors some of the content of the plan, it stresses that it will never give up its peace proposal.

People have noticed that the U.S. Secretary of State Baker has recently submitted a five-point plan to the foreign ministers of Egypt and Israel on peace talks between Palestine and Israel. He has suggested that

foreign ministers of the United States, Egypt, and Israel meet in Washington to discuss this plan. According to reports, the main contents of the plan are: All parties agree to the dialogue between Palestine and Israel; Israel will participate in the talks after it is satisfied with the composition of the Palestine delegation; and the key topic of the talks is to discuss the Israeli proposal on elections, but the Palestinians can raise other issues. This plan has shown that the United States still intends to continue to take the initiative in exercising control over the peace process in the Middle East. However, this plan only makes procedural arrangements for participation in the dialogue without any specific and substantial content, and continues to be partial in siding with Israel. On 16 October, the PLO leaders openly stated that they rejected the plan, because it was a new plot for strangling the Palestinian peace proposal and supporting Shamir's plan. Israel once rejected the plan, because it believed that the plan could not satisfy its demand. However, on 24 October, the Israeli cabinet stated that it accepted in principle Baker's plan under the conditions that the United States must guarantee that the Palestinian delegation would not include members of the PLO, and that only the issue of the election in the occupied territory would be discussed.

The above-mentioned four proposals and plans put forward by various parties on the occupied territory have demonstrated their desires for solving the outstanding problem through dialogue. However, since there is still a wide gap in the stand of the relevant parties, the peace process in the Middle East has now reached an impasse again. On 22 October, PLO Chairman 'Arafat visited Cairo again to discuss with President Mubarak the way to break the current deadlock. They reached identical opinions on many issues. Fair-minded public opinions of the world maintain that the key to solving this difficult problem which has been unresolved for many years lies in Israel changing its stubborn stand and withdrawing its troops from the occupied territory to pave the way for the dialogue.

## WEST EUROPE

### Comments on Outcome of Madrid EES Summit

40060644A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 15, 1 Aug 89 pp 8-9

[Article by Li Shuxun (2621 2885 8113): "The Madrid Summit and the European Currency Unification"]

[Text] Due to efforts by all parties concerned, particularly due to certain concessions by Great Britain, the EEC summit took an important step forward in the matter of establishing an economic and monetary union.

In the last week of June, the heads of state and heads of government of the 12 EEC nations arrived in Spain's capital of Madrid for the 41st EEC Council meeting. One of the two major topics of the meeting was deliberation

on the report "On EEC Economic and Monetary Unification," submitted by the commission of experts, headed by EEC President Delors (hereafter "Delors Report"). In due course, the meeting passed a compromise agreement which gave new impetus to progress toward the unification of European currencies.

### Origin of the Delors Report

The above-mentioned topic had been formulated as early as at the June 1988 summit meeting in Hannover, West Germany. In view of the fact that the large Common Market had already reached a "stage of no return," the majority of countries believed that in order to meet the needs of the large Common Market, a more extensive cooperation in currency matters had to be placed on the agenda. However, Great Britain thought that there was no "urgency" to take up this problem and no need for its discussion, but would not oppose its consideration. Finally, the meeting decided to set up a commission of 17 specialists, to be headed by Delors and consisting of the central bank directors of 12 countries and other specialists, to be charged with the specific study of measures and of an agenda for the establishment of a European economic and monetary union, including establishment of a European central bank, such report to be submitted within 1 year for discussion at the Madrid summit. As empowered by the council meeting, the specialists engaged in study and exploration for almost 1 year. On 17 April this year, Delors circulated the relevant report at a meeting of the council of finance ministers of the member countries at Luxembourg. The report presented a plan for economic and monetary unification in three stages. Its main content was: The first stage was to start on 1 July 1990 with the free circulation of capital between the 12 countries. The objective during this stage was to achieve increased economic efficiency through closer coordination of economic and currency policies, as well as in matters of budget policies. The main emphasis was to be on perfection of domestic markets and elimination of obstacles to a liberalized money market; it would be demanded of all member countries that they have their currencies join the European Monetary System and its exchange rate-regulating mechanism (so far, only the currencies of Great Britain, Greece, and Portugal have not yet joined the system). By using the reserve funds in the central banks of all member countries, a European reserve fund was to be set up. Prior to this, it would be demanded of all member countries that they acknowledge their "clear political task" to pursue this stage to its very end. "The resolution to start this first stage must be a resolution to begin the entire process." For this purpose it would, therefore, be necessary to call an intergovernmental conference to renegotiate a new treaty, which must prescribe in specific terms the objectives, the measures to be taken, the procedures to be followed, and all institutions necessary for the establishment of an economic and monetary union.

The second stage was to be marked by the realization of a single market in 1992, when the new treaty, discussed

and signed by all member countries and duly ratified by their respective national parliaments, would enter into force. During this stage, organizational readjustments shall be effected according to law, the major organization and basic structure of the economic and monetary union shall be set up, the European central bank system shall be established, a common currency policy shall be gradually put forward and implemented, the extent of currency fluctuations in all countries shall be reduced (presently, fluctuations are limited: For the Italian lira and the Spanish peseta to plus/minus 6 percent, and for other currencies plus/minus 1 percent), and further coordination shall take place in the economic and budgeting policies, while each country shall still preserve its right of final decision.

The third stage will demand certain restrictive decisions with regard to economic and budget policies. Fixed exchange rates shall be established for the currency of each country, a single currency policy shall be decided upon, and "the decisionmaking powers of the authorities of all countries shall be transferred to the organ of the community," and "the currencies of the various countries shall be replaced by the single currency of the community."

#### **The Compromise Agreement, a Breakthrough**

Great Britain has all along opposed any closer cooperation between member countries in matters of currency and has been unwilling to make the sacrifice of relinquishing its currency autonomy. The British stand was summarily reflected in Mrs Thatcher's "Brugge speech" in September, in which she emphasized that the community should establish a large common market without encroaching on the sovereignty of countries. She clearly rejected political and currency unification, and opposed establishment of a European central bank and the issue of a common currency. She expressed that she would under no circumstances transfer large sections of economic and social decision-making powers to the community. After publication of the Delors Report, Mrs Thatcher did not change her firm stand a bit. Only on the eve of the Madrid summit, did Britain's attitude seem to have eased up somewhat, as willingness was expressed to accept the plan in the first stage of the Delors Report. It was, therefore, unavoidable that the present summit meeting would find the two sides at loggerheads, with France, the FRG, Spain, Italy, Belgium, and Delors on one side. These countries maintained that the "total process" of the 3-stage plan cannot be split up, and that acceptance of the first stage means "automatic continuation" into the subsequent stages. They firmly maintained that all countries must promise to accept the implementation of the Delors Report as having reached a "clear political agreement." However, Mrs Thatcher reiterated her firm opposition to the idea of a "total process" and "automatic continuation," and particularly opposed calling an intergovernmental conference. She believed that signing the new treaty would encroach on Britain's currency and tax autonomy. At the same time, she declared officially for the first time that she will

accept the plan in the first stage, and expressed Great Britain's willingness to join the exchange rate-regulating mechanism of the European Monetary System, as soon as Britain's currency inflation rate is markedly reduced and all member countries have abolished foreign exchange controls. The Netherlands, Denmark, and Luxembourg had some reservations regarding the Delors Report, and to varying degrees actually supported the British stand.

After a whole day's debate, during which neither side was ready to yield, the executive chairmanship country, Spain, "realizing that (with regard to the Delors Report) there was little possibility of achieving agreement," put forward, late that night, a 4-point compromise plan. This finally brought about agreement and avoided a break up of the meeting. The main content of the agreement was: The European Council reiterates the resolution of the "Document on European Unity," which had been affirmed at the Hannover meeting, regarding the gradual realization of European economic and monetary unity; the European Council regards the report of the Delors commission on the realization of economic and monetary unity in stages as fully in conformity with the assignment given the commission at the Hannover meeting; the European Council decides that execution of the first stage of economic and monetary unity shall start on 1 July 1990; the European Council asks all functional organs (Council of Finance Ministers, Commission for General Affairs, the EET Commission, the Committee of Heads of Central Banks, and the Currency Committee) to make all necessary arrangements for the start of the first stage, and after the start of the first stage to call for an intergovernmental conference to determine the tasks of the subsequent stages.

The agreement shows clearly that both parties to the dispute had made concessions, and that both had also gained in some respects. Because Mrs Thatcher's European policy did not enjoy popular support, the Conservative Party suffered a crushing defeat in the elections in mid-June to the Council of Europe, and the opposition party, the Socialist Party, gained a great victory. Because Spain not so long ago proclaimed officially its willingness to join the European Monetary System, Great Britain was made to feel even more isolated. Because of all these factors, Mrs Thatcher was forced to soften her stand at the final stage of the meeting and to accept the gradual realization of the principle of gradual economic and monetary unification. She also agreed that during the first stage, the British pound will join the exchange rate-regulating mechanism of the European Monetary System, and agreed to call at a certain time an intergovernmental conference to discuss the problems of the subsequent stages, thus taking a substantial step in Great Britain's move toward monetary union. This is an important breakthrough, as it means that, although Great Britain will not accept the entirety of the Delors Report, the continuation of the process toward economic and currency union remains assured. France and the other countries then also agreed that preparations for the

intergovernmental conference shall begin only after the start of the first stage, and they abandoned their stand on "automatic continuation." At the conclusion of the meeting, French President Mitterand expressed satisfaction with the agreement and also expressed the opinion that, if necessary, an intergovernmental conference will be called to discuss and sign a new treaty and to complete the legal formalities for the economic and monetary unification as a supplement to the Treaty of Rome, or to replace the Treaty of Rome. Mrs Thatcher stated that the Delors Report is "an excellent basis for continued negotiations," and admitted that it was impossible for her to hold up the above-mentioned resolution passed at the meeting.

### Prospects and Expectations of Unification

Although the Delors Report was not totally accepted, the compromise agreement, after all, constitutes an important step of great real significance in the advance toward economic and monetary union.

It has to be pointed out, however, that the agreement did not eliminate the differences in principle that exist between the parties concerned. First, Great Britain has agreed only in principle to economic and monetary union, but continues to oppose automatic progress into the subsequent stages, and has given no indication of agreeing to the establishment of a European central bank and the issue of a common currency. Second, Great Britain has acknowledged the Delors Report as an "excellent basis" for further negotiations, but also added that it is "not the only basis." Third, Great Britain agreed to the plan for the first stage, but persisted in making its accession to the exchange rate-regulating machinery dependent on the fulfillment of two conditions, while the other countries hope Great Britain will join at the end of 1990. Here, the parties are obviously miles apart.

At the same time, the agreement itself contains several uncertainties: First, the agreement does not stipulate a time limit for completion of the first stage. Second, the agreement does not set the specific time for calling the intergovernmental conference, but on the other hand calls for "comprehensive and full preparations" for the conference; this could possibly lead to delay. Third,

calling the conference will require only a majority decision, but any conclusive decision at the conference can be carried out only after successfully negotiating a consensus of all member countries. Without negotiated consensus, each member country has the right to veto the decision. All this has Great Britain in a position to possibly exercise certain influences on the movement toward economic and monetary union and on the road toward that goal.

In view of this situation, the planned realization of economic and monetary union is a slow and protracted process. For instance, if we consider the fact that it will take considerable time for Greece and Portugal to abolish foreign exchange control, the conditions set by Great Britain for its participation will possibly have the British pound continue 4 to 5 years without joining, or at least delay joining until the unified market has been established and later than the next British general election. This will explain that merely accomplishing the objective of the first stage will already be a long, drawn-out affair. This will be even more the case if real efforts are made to eliminate the above-mentioned differences of opinion. To get the new treaty negotiated, signed, ratified, and enforced, and to enter the subsequent stage of unification will be even more complex and difficult tasks, because that will touch on the problem of transferring state sovereignty to the community organization. Besides, precisely as FRANKFURTER RUNDSCHAU pointed out, monetary union that depends only on the establishment of a central bank "will certainly not be able to hold its ground." There has to be a "political decision-making center,"—an organization akin to a "European community government." However, to build up this kind of a framework would require a thorough amendment of the present EEC treaties and agreements and conferring true legislative powers on the European Council. There is a considerably longer road to cover to reach that point.

However, if the next general election in Great Britain results in a change of regime, Britain's European policy will experience an abrupt change, or it will be as in 1985 when the intergovernmental conference amended the Treaty of Rome, so that Mrs Thatcher's opposition will merely be a kind of rear-guard action. This would possibly accelerate realization of the Delors plan, but whatever the situation will be, a complete realization of economic and monetary unification is something that will not become reality within this century.



### Student Leader Predicts Triumph of Democracy Movement

40050670A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, Aug 89 pp 67-69

[Article by Lu You (6424 0645): "New Generation of Students Comes of Age With the Democracy Movement"]

#### [Text] Blood Mixing With Tears, Thunder Reinforcing Lightning

The bloody and tumultuous month of May is over. But history has recorded the faith and courage of the Chinese people that month, their glory probably rivaling that of the French Revolution and far exceeding that of the May 4th Movement 30 years ago and the April 5th Incident 13 years ago. In the great turmoil of the latest democracy movement, the Chinese people seem to have surprised everybody by straightening their backs and have captured in one instant the eternal regrets, hopes, dreams, and stubbornness of the spirits of countless brave souls who have departed over the years. At long last, China has found its voice.

We should say all this began with Hu Yaobang [5170 5069 6721].

While Hu Yaobang's death was certainly unexpected, his posthumous reputation, the intensity of public grief, and the storm it touched off have few parallels in recent Chinese political history. It is clear to all that Hu Yaobang's death coincided with the peak of the democracy political movement on the mainland. Hu Yaobang was maneuvered out of a job and forced to resign by Deng Xiaoping during the student unrest of 1987, only to become more popular among students and intellectuals. His sudden death could not but naturally become a lightning rod setting off an explosion.

Reports say that Hu Yaobang even referred to the anti-bourgeois liberalization movement of 1987 when he met with the veteran journalist Sun Changjiang [1327 7022 3068] on 27 March. Hu Yaobang said that young students must be protected, protected, and protected. Should he be able to look down from heaven and see the events on Tiananmen Square last May and the indifferent, callous, and cruel attitude of the Li Peng government toward students, one wonders what he would think.

#### The Resistance of RENMIN RIBAO

This time around, the Mainland Chinese press apparently was not about to turn the other cheek once again. Their actions were actually one of the important achievements of the current student movement. The "Qin Benli [2953 2609 4539] incident" in Shanghai was an act of suppression by the government against the press, but it was also where the press, driven to the limits of forbearance, decided to take a stand. As soon as the mourning for Hu Yaobang began, the press realized the urgency of speaking the truth. In a move that expressed the

common desire of the masses and the press, graduate journalism students in the Chinese Academy of Social Sciences put up a huge banner with the words, "The press must speak the truth." In fact, however, many manuscripts that reported on Hu Yaobang were not cleared for publication. "The Last Seven Days of Comrade Hu Yaobang" by XINHUA SHE was canceled suddenly even after Zhao Ziyang, Hu Qili [5170 0796 4539], and Qiao Shi [0829 4258] gave the green light. On the other hand, a commentary in the format of BEIJING RIBAO transmitted by XINHUA SHE was released without discussion by the news agency's leading party group and without the knowledge of Mu Qing [4476 7230], the agency director. This incident aroused a good deal of unhappiness within the agency and a staff meeting was called.

Over 1,000 journalists in Beijing signed a joint letter over the Qin Benli incident, demanding a dialogue with the government. From 11 to 13 May, after Hu Qili and Rui Xingwen [5360 2622 2429] had a dialogue with the Beijing press, there was a notable increase in positive reporting on the student movement in the official news media, including RENMIN RIBAO and Central Television [CTV]. In fact, even the reporting itself took on a certain independent tone. Judging from what was reported in RENMIN RIBAO and the news layout between 15 and 20 May, the moment had indeed come for the Chinese press to speak the truth and reflect public wishes. Even more significantly, the anchor-persons in the joint newscast on CTV varied their tone and expression with the contents of the news script. It was clear where their sympathy lay.

The news blackout is the stock in trade of all autocratic governments. After Li Peng's speech and the declaration of martial law on 19 May, the official media was full of open telegrams from all over the country expressing support for the CPC Central Committee. During this time, however, the resistance by the press went on. RENMIN RIBAO continued to report the facts and express the wishes of the people in a variety of forms. As late as 24 May, it still printed "The Public Spiritedness of the People of Beijing Today." "Today" means none other than the red month of May. The same issue carried a news dispatch entitled "Officers and Men Who Love the People Enjoy Popular Support." The story was actually about the people of Hebei who, after becoming rich, do not forget the Army made up of the sons of the people and who support military construction. But inserted in the story was an editor's note: "Officers and men of the PLA [People's Liberation Army] are the sons of the people. They were raised on the milk of the people. It is the sacred duty of the people's Army to love and protect the people. History has proved and will continue to prove that an army that stands alongside the people will always win. Let us solemnly salute the people's own Army who loves and protects the people." This "editor's note" probably did not get much attention, but to my mind it was a shining example of the courage of the press in pressing on with its resistance. At the time, the

military was already amassed outside the city and strict control had already been reimposed on all instruments of public opinion. Be that as it may, the editor's note emphasized the military's bounden duty to protect the people, not, by implication, to obey orders. It stressed that the Army should stand side by side with the people, not the CPC Central Committee. What pointed remarks!

On 18 May RENMIN RIBAO published a poem by Xu Gang [1776 0474] and the reaction was strong.

"Mother, I am hungry, but I will not eat.  
More than 3,000 people, more than 3,000 young and beautiful sons.  
Tough and strong.  
Smilingly requesting the torture of hunger...  
Their eyes are closed, but their hearts can see.  
For the green wind of freedom.  
Blowing across the lawn in May.  
For the youthful land.  
For young China... These 30 days that shook 3,000 years.  
Are a glorious record of the Chinese people.  
Whatever should happen would happen sooner or later.  
Whatever should end would end sooner or later... The May rescue brigade.  
You are saving China!"  
"What is bad for the nation is good for poetry."

I believe new poetry will enjoy an upsurge of popularity in China, just like what happened when Lu Xun [7627 6598] "searched for a short poem among the knives in anger."

As late as 29 May, RENMIN RIBAO published a short poem entitled *Hands*. The poem declared proudly, "The hands of my young friend have never been smeared with blood." "He has solemnly sworn that his hands are clean." Then, in an abrupt change, the poem concludes by asking with shocking bluntness, "There are 1.1 billion pairs of hands in China. How many are evil black hands that scheme, plot, and oppose the people?" It was noted at the end of the poem that it was written on 17 May. It would not be hard for a person with a discerning eye to divine the purpose of the poem.

#### **Folk Songs Reflect the Mood of the Time and the Aspirations of the People**

In short, the Mainland Chinese press has awakened. That the struggle will continue is a given. The only question is that the form of the struggle has changed.

The Chinese have always taken folk songs seriously. Folk songs reflect the mood and desire of the people, as did *Sayings From Ancient Ballads*, (edited by Du Wenlan [2629 2429 3482]). Many folk songs today serve the same purpose and should be taken note of. Since the mourning for Hu Yaobang began, many new and popular ballads began circulating in Beijing. A few are selected and offered to the reader here:

"Those who should fall from power do not fall from power. Marxism-Leninism is powerless. Those who should die do not die. God is at his wits' end." Is this strange combination of circumstances really the will of heaven?

"Mao Zedong's son went to the front. Lin Biao's son staged a coup. Deng Xiaoping's son solicited donations. Zhao Ziyang's son speculated in color television sets." It is probably not a bad idea to judge a leader by the deeds of his son. When Li Peng and Hu Qili arrived at the hospital to visit the fasting students, one student cried out emotionally, "Make an example of your sons." Li Peng and others took fright and avoided him.

"When the KMT [Kuomintang] wants to eat chicken, it captures it itself. When the CPC wants to eat chicken, you have to present it at its doorstep." When it comes to official corruption, the KMT and CPC are different. The writer of the ballad probably remembers very well the way KMT troops were depicted in movies on the mainland after the PRC was founded: The moment they entered a village, they seized the poultry and pigs.

"The west is red, the sun has set. China has given birth to Deng the Pioneer. He looks after his own interests and makes the people take care of themselves." This folk song, a parody of the mainland's sacred hymn, *The East Is Red*, is thought-provoking. Hasn't Uncle Deng always considered himself the pioneer and engineer of Chinese reform?

"We must realize the difficulties of the CPC Central Committee: 70 million handicapped people, 250 million illiterates, not to mention 50 million party members." To include party members in the ranks of the handicapped and illiterate and regard them as a burden on the state gives you an idea of their "prestige."

"Are you a party member? Only the mother is a party member." This means the same as above. While a tad vulgar, this saying is totally consistent with the tone of the people of Beijing.

These songs represent only a slim sample of the many folk songs and political jokes making their rounds in Beijing. If someone bothers to make the effort to collect them, the result would be an important piece of historical material vital to modern Chinese political research. The people will not be taken in. Heaven can bear witness to that. The humor of the Chinese people is clear.

#### **The Wise and Brave New Generation**

Let us talk about our students.

First, it was once thought that this generation of college students "will not make trouble" and "is removed from reality." Indeed, these students basically have not suffered any hardships or known hunger. Unlike the generation of the Red Guards, they have not "faced the world and braved the storm." In recent years, in particular, they have been in the grip of a petty selfishness and

decadent hedonism; it is fashionable to engage in business and have romances on campus. There was every reason for people to wonder about this generation's political consciousness and sense of national responsibility. Yet, at the memorial for Hu Yaobang, the public was touched by the international, sad melody of the more than one hundred thousand students on the square. An old cadre was so moved that he said time and again, "Who would have thought? China can still be saved."

The spirit of heroic struggle displayed by these students has no precedent in history. Over 3,000 people fasted for a long 7 days. Some even refused water. Others were hospitalized 18 times, but persisted in their hunger strike. For scores of days they staged a sit-in and demonstrated. Much sweat and many tears were shed. All this was unprecedented in China through the ages.

The students' good sense and reasoning power are even more amazing. They themselves maintained order as hundreds of thousands marched, rallied, and fasted. Moreover, they demonstrated a stronger sense of social responsibility than the government. That everybody could see.

Thus, this generation of university students measures up to their older counterparts.

What must be further analyzed now are the problems that have come to light in the latest student movement. For one thing, the students do not have a sufficient understanding of the arduous and long-term nature of the struggle. Some seem to believe that it is a one-shot affair. For example, the struggle took only a limited number of forms, such as demonstrations and sit-ins. In no time it resorted to an extreme method—the hunger strike. Yet it is unrealistic to attempt to overthrow a corrupt political regime in one rapid, violent blow. It is not as easy as crushing dry weeds and smashing rotten wood. Second, the students have not carefully considered the objectives of their struggle. In a country like China where the autocratic tradition is deep-seated and the people are of a low political caliber, democratic politics can be introduced only gradually. This requires that we understand clearly the objectives of the struggle at every stage. An article released by the Propaganda Department of the Beijing municipal party committee on 2 June talked about "shooting arrows indiscriminately at once." That is not the way to go about it. In my opinion, because it requires many preconditions, including various basic rights, such as freedom of speech and freedom of the press, we cannot solve the problem of political democracy in one fell swoop. According to the analysis of Carl Cohen, an American scholar, these rights do not constitute "democracy" by themselves but are the prerequisites for the functioning of "democracy." And it is precisely these rights that China should fight for at the present stage and secure legally (much like the First Amendment of the U.S. Constitution.) Needless to say, the masses may be less interested in them than in such slogans as opposing official speculation. For this reason, it may be difficult to build up a groundswell of support

for such rights. But the intelligentsia would understand and support them. When 3,000 people go on a hunger strike with the full support of the intellectuals and the press with the limited goal of securing freedom of the press and freedom of speech, they might be able to achieve their objective.

Of course, we are now making these points with the benefit of hindsight. Things happened thick and fast then. Nobody was in a position to "unify thought and action." The students were marvelous to have done as much as they did.

Whatever the outcome of the latest student movement, the glorious spirit of sacrifice on the part of young Chinese students will shine forever in the annals of history. One of these days their blood will spawn the flower of young China, of democratic China.

#### **Internal Disorder Within the CPC Has No Precedent in History**

It appears that the tiny handful of officials could not escape the fate of being nailed on the cross of shame. In the early days of the student movement, the Li Peng regime refused to have a dialogue on an equal footing with the students. On the contrary, at Uncle Deng's suggestion, he came up with an editorial in RENMIN RIBAO on 26 April, threatening that he would not hesitate to resort to bloodshed. These moves on his part were, no doubt, what worsened the situation and led to the huge demonstration in Beijing on 27 April. The students fasted for 7 days. Throughout, Li Peng refused to take positive action or go to the square to have a direct dialogue with the students. His way of doing things made the Chinese people extremely worried, but it also revealed the true color of this rascal of a "premier."

Li Peng's 19 May speech sounded his own death knell. That evening, his vicious and treacherous character was totally exposed. His complacency and self-confidence when he later met with three foreign envoys was downright nauseating. From the early morning of 20 May, the entire nation echoed to the cry of "Down with Li Peng." As they said, "As long as Li Peng is still in power, there will be no peace in the nation."

The conflict between Li Peng and Zhao Ziyang is a longstanding one. This time it finally flared up into a life-and-death struggle. After engineering the downfall of Hu Yaobang, His Excellency Deng Xiaoping's image had changed drastically. With the latest student movement, he became utterly discredited. In contrast, Zhao Ziyang received widespread sympathy for refusing to act in collusion with Li [Peng] and Yang [Shangkun] [2799 1424 2492] to suppress the student movement when the chips were down.

The ludicrous thing is that Deng Xiaoping, who is only the chairman of the central Military Commission, posed as China's top leader when he received Gorbachev of the CPSU. The bunch of "older generation proletarian revolutionaries" with no position, such as Chen Yun [7115

0061] and Peng Zhen [1756 4176] also wield supreme power in China. Never in Chinese history and seldom in world history have geriatric politics and behind-the-scenes rule gotten so far. As for party rules and constitution, forget it.

This year marks the bicentenary of the French Revolution and the 70th anniversary of the May 4th Movement. Nobody could have imagined that it would be celebrated in such an earthshaking manner. To many young students, what has happened is a spiritual christening they will never forget. The temporary result is still not decisive. The key is people. The latest student movement made more and more people stand up courageously for freedom, democracy, and human dignity.

May, a month of fire and blood, is over, but the question it posed is still with us. In any case, we are convinced an upsurge of democracy that is rationally thoughtful and courageous will continue to touch off a tidal wave, burying all forms of autocracy.

30 May to 3 June 1989

Note: When this piece was finished, word came from Beijing about the 4 June tragedy. The military bathed Tiananmen Square in blood. Heaven be our witness. God says: "I will redress injustice, I will pass judgment."

### **Wang Ruoshui Criticizes Mao's Responsibility for Cultural Revolution**

40050632A Hong Kong MING PAO YUEH KAN  
[MING PAO MONTHLY] in Chinese  
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[Article by Wang Ruoshui (3769 5387 3055): "Outlines for the Criticism of Mao—Criticism of Mao Zedong's Ideas in His Later Years and Their Historical Roots"]

[Text] Editor's note: This article was a chapter omitted from the draft of the "Resolution of the CPC Central Committee on Several Historical Questions" which was adopted by the 6th Plenary Session of the 11th CPC Central Committee.

In 1980, the CPC Central Committee established a writing group led by Hu Qiaomu to draft the resolution on several historical questions involving conclusions on events before the Cultural Revolution, on the Cultural Revolution itself, and on Mao Zedong's views. The resolution was planned to be adopted at the 6th Plenary Session of the 11th CPC Central Committee in 1981. Hu Qiaomu invited Wang Ruoshui to join this writing group to write one of the chapters on the late stage of Mao Zedong Thought. This chapter written by Wang, however, was later rejected by the writing group and became Wang Ruoshui's personal manuscript. It has been buried in a box at home for several years. For today's publication, the author has not changed a word in this article and has maintained its original look.

Wang Ruoshui pointed out that this article represents only his views between 1980 and 1981 and that, of course, he now has new views which will be discussed in the future.

In addition, since it was for the resolution of the 6th Plenary Session of the 11th CPC Central Committee, this article was written in an official tone and style. Besides, since the draft of the resolution had been repeatedly discussed and revised before it was printed and Wang did not keep a copy of his own, after all these years Wang Ruoshui himself is not even sure about whether or not this article has been changed.

Wang Ruoshui pointed out that there were differing opinions at the time on the issue of adhering to Mao Zedong Thought, including such questions as: Is the theory of the Great Cultural Revolution part of Mao Zedong Thought? Shall it be upheld? Wang Ruoshui brought up the concept of distinguishing the later stage of Mao Zedong Thought, saying that the later stage of Mao Zedong Thought is erroneous and should not be upheld.

In June 1981, the 6th Plenary Session of the 11th CPC Central Committee unanimously adopted the "Resolution of the CPC Central Committee on Several Historical Questions." This chapter on the later stage of Mao Zedong Thought written by Wang Ruoshui and rejected during the drafting stage thus became a lost treasure outside the resolution. It has not been seen until today as it is published by us 8 years later.

History since the founding of the PRC shows that the "Great Cultural Revolution" which lasted for 10 years was an unprecedented catastrophe experienced by our party and country. This catastrophe was caused by the fact that we had failed to thoroughly correct many mistakes after the founding of the PRC and allowed them to develop continuously. Even today we are still forced to make painstaking efforts to eliminate the serious evil consequences of this catastrophe. Because of this, we must conscientiously analyze the cause and reason for the occurrence of the Cultural Revolution, find out the lessons, and prevent the repetition of errors to guarantee the smooth development of the socialist undertakings of our country.

### **The Formation of Erroneous Ideas**

The Cultural Revolution occurred and continued for as long as 10 years because, first of all, Mao Zedong had gradually developed in his later years a series of erroneous ideas on the interpretation and understanding of socialism. After the socialist reform of the private ownership of capital goods was basically completed in China, namely between the antirightist movement of 1957 and his death, he failed to work with other leaders and members of the party to uphold the principle of combining the universal truth of Marxism with the actual practice of the Chinese revolution. He also failed to come up with correct or basically correct solutions to the

ideological and practical problems of the Chinese revolution and construction as he did during the periods of democratic revolution and the socialist reform of private ownership of capital goods. On the contrary, during this period the basic aspects of his thought were divorced not only from the scientific theory of Marxism, but also from the reality of China, although he also pointed out some problems which really existed in Chinese society and brought up some correct ideas. Mao Zedong's erroneous ideas in his later years were the ideological and theoretical root causes of the Great Cultural Revolution.

There were two major contents of Mao Zedong's erroneous ideas in his later years: One was a mistake on the issue of socialist social class struggle—namely the so-called “theory of continued revolution under the dictatorship of the proletariat.” Another was a mistake on the issue of a model for socialist social construction, which was divorced from the theory of scientific socialism based on large-scale modernized production. This mistake was manifested as utopian socialism reflecting the backwardness of small-scale production and egalitarianism. These two mistakes were interrelated and interwoven.

#### **Endless Exaggeration of Class Struggle**

Mao Zedong's mistake on the issue of socialist social class struggle derived from the erroneous practice of directing the antirightist movement and proceeded from the 8th party congress, which was divorced from the party, and the article of “Correctly Handling Contradictions Within the People,” which drew a scientific inference on the class situation and major social contradictions in China after the socialist reform was basically completed. Since “Correctly Handling Contradictions Within the People” was altered and supplemented for publication after the antirightist movement had begun, it contained erroneous ideas of exaggerated estimates of the situation and tendency of class struggle. These erroneous ideas gradually developed during the periods of the antirightist movement, the Plenary Session of the 10th CPC Central Committee, and the 23 articles and finally formed a complete set of erroneous theories by the time of the Great Cultural Revolution.

Violating the scientific principle of Marxism, which determines class status based on the possession of capital goods, this theory set forth the erroneous concept of determining class status based on the people's political and ideological status. It made unrealistic subjective assumptions about the political and ideological status of the people in various parts of society. By doing so, it had willfully exaggerated the existence and force of the bourgeoisie, asserting that the contradiction between the proletariat and the bourgeoisie not only was still the major contradiction in Chinese society, but also will exist in the entire historical period of socialism, which lasts for several hundred years. Abandoning in reality the correct thinking of shifting the focus of work to socialist construction, it emphasized the need to “take class struggle as the key link” and carry out endless “class

struggle” day after day, month after month, and year after year. We should point out that after the socialist reform was basically completed, class struggle still existed within a certain limit, but Mao Zedong indefinitely exaggerated the vestiges of old class contradiction.

After the socialist reform was basically completed, many new social contradictions, which did not belong or basically did not belong to class confrontations, occurred. They required us to use the creative spirit of Marxism to explore new methods to solve the new contradictions under the new situation. This still is an extremely serious task facing us today. Mao Zedong raised the issue of correctly handling contradictions within the people, but when he was actually confronted with such contradictions in the spheres of political, economic, ideological, and cultural life, he dealt with them simply as class struggle issues.

What was especially serious was that Mao Zedong used these erroneous ideas on intraparty struggle and regarded all debates within the party on different opinions on the new task of socialist construction as “struggle between political lines,” which was equivalent to “class struggle.” He thought that there were “capitalist roaders” and a “bourgeois headquarters” in the party and that the bourgeoisie was “right here within the party.” Because of this, he directed the spearhead of the “anti-bourgeois class struggle” mainly to targets within the party, the core of the leadership of the party, and the leading organs of the proletarian regime to carry out the “great political revolution” to “seize power from capitalist roaders” and “use one class to overthrow another class.” This was the so-called Great Cultural Revolution of the Proletariat. During the Great Cultural Revolution these erroneous theories were put together under the title of “the great theory of continued revolution under the dictatorship of the proletariat.” Mao Zedong did not put these theories together himself, but he gave consent to do so. This theory was once regarded as a new stage of Marxism and a new development in Mao Zedong Thought. It was affirmed by the 9th and 10th party congresses. Even the 11th party congress followed this erroneous idea. Now, historical practice, especially the practice of the Great Cultural Revolution, which was launched based on this theory, has clearly proved that the concrete content of this theory is essentially wrong.

#### **The Great Leap Forward and People's Communes**

Mao Zedong's mistake on the issue of a model for socialist social construction derived from the erroneous practice of directing the Great Leap Forward and the movement to organize people's communes. Its manifestations include misunderstandings that productive forces could be developed rapidly by relying simply on political enthusiasm and mass movements without having to rely on science, technology, and experts; that production relations could be changed like magic and the principle of “large in size and collective in nature” could be realized by relying simply on ideological awareness

and communist style without having to raise the development level of productive forces. At one time, he even thought that communism could be achieved without a prolonged period of time. The model of people's commune set forth at the time was, in fact, a self-sufficient, small but complete society and an enlarged form of small-scale peasant economy. Other manifestations of this mistake include promoting the supply system, criticizing the wage system, paying no attention to the socialist "to each according to his work" principle, and advocating the so-called "elimination of the idea of bourgeois legal rights."

Using a laudatory tone, Mao Zedong once also compared the egalitarian ideas of revolting peasants in Chinese history (such as social ideals recorded in the book *Zhanglu's Biography*) to the ideal of the people's commune, reflecting rich agricultural socialism in his model of social construction.

After the Great Leap Forward and the movement to organize people's communes failed in practice, Mao Zedong recognized and corrected some of these mistakes, but not thoroughly enough. When he was criticized within the party, he regarded such criticism as a "bourgeois offensive," so he launched the "antirightist" movement and used such "class struggle" to continue to carry out the Great Leap Forward. Serious economic problems later forced him to accept the principle of economic readjustment. His erroneous ideas on class struggle, especially on the model of construction, were suppressed and corrected to some degree.

But when the economic situation changed slightly for the better, he brought up class struggle again. When he was launching the Great Cultural Revolution, in a letter to Lin Biao dated 7 May 1966, he again brought up his fantasy about the model of socialist social construction. In the later stage of the Cultural Revolution, he issued a directive on so-called theoretical questions in January 1975 and another directive on the so-called counterattack on the tendency to reverse verdicts on right-deviationists in late 1975 and early 1976. In these directives he emphatically pointed out the need to criticize bourgeois legal rights and that the existence of the eight-scale wage system, to each according to his work, and commodity production made the restoration of capitalism very easy. He also linked this issue to the so-called "capitalist roaders" issue, thus merging his erroneous ideological guidances on the two issues of socialist social class struggle and the construction model.

#### **Narrow Peasant Mentality and Feudal Ideas**

In addition to ideological and theoretical factors, Mao Zedong's personal political quality and ideological style also contributed to the fact that mistakes in the late stage of Mao Zedong Thought became increasingly serious and were forced onto the whole party, thus resulting in such catastrophes as the Great Cultural Revolution. Along with the successful development of revolutionary undertakings led by the party, Comrade Mao Zedong

enjoyed great prestige as the leader of the party. After the 8th party congress, when party history faced another major turning point and a critical moment where modesty and prudence were especially required to deal with new social situations and new historical tasks, Mao Zedong on the contrary gradually became more and more arrogant every day. Running counter to the fine style of our party on integrating theory with reality, maintaining close ties to the masses, and carrying out criticism and self-criticism, which he had repeatedly emphasized, Mao Zedong gradually took the erroneous road of divorcing himself from reality, the masses, and the collective of the party and refused criticism.

He grew to appreciate, accept, and encourage excessive praise. He even went so far as to openly demand that he be worshipped. He placed the protection of his personal prestige above the interests of the party. The democratic centralization and collective leadership of the party were damaged more and more seriously by Mao Zedong, who placed himself above the collectives of the party and the party Central Committee and made himself a de facto superior of the central Political Bureau and the CPC Central Standing Committee. With regard to major theoretical questions and questions in actual work, he often made arbitrary conclusions and policy decisions without serious discussions at central meetings. He even willfully censured other comrades of the Standing Committee of the central Political Bureau and groundlessly charged the central Political Bureau and the central Secretariat, which adhered to the system of democratic centralization, as two "independent kingdoms."

When his erroneous policy decisions were subject to normal criticism and justified resistance within the party, he often mistook such criticism and resistance for "revisionism," struggle between political lines, and even class struggle while expressing appreciation and trust in those opportunists who advocated personality cult, catered to his likes, and fawned upon him. Before and following initiation of the Great Cultural Revolution, the narrow peasant mentality and the influence of feudal ideological vestiges that he originally had were developed to a serious extent. As a result, he not only covered up his errors and said one thing while doing another, but also adopted feudal political maneuvers and trickery to ambush comrades and carry out cruel struggle and ruthless attacks within the party. This made it absolutely impossible for him to correct his serious mistakes in his later years and finally resulted in huge losses to the party and the country.

#### **The Inadequacy of Chinese Socialist Theory**

The formation and development of the erroneous ideas of Mao Zedong in his later years and their dominant position with our party were closely related also to the ideological and theoretical conditions of our party. Socialism was a new cause in the course of continuous exploration by mankind. How to build socialism, how to understand and deal with various social contradictions including class contradiction, and how to improve the

self-construction of the ruling party to avoid degeneration and deterioration in a large backward country like China were all new tasks facing our party after the national victory, especially after the socialist reform of capital goods ownership was basically completed.

To solve these problems, previous experiences and the theoretical level of our party were far from adequate. It required that the application of Marxist tenets be combined with new practices to create new experience and new theories. We should say that in general our party lacked ideological and theoretical preparation and research on these issues. Some of our party leaders, such as Comrade Zhou Enlai, Liu Shaoqi, Chen Yun, and Deng Xiaoping brought up correct ideas and opinions in many areas in light of actual conditions of China, resisted and struggled against Mao Zedong's erroneous ideas in his later years and the erroneous "leftist" line, and made great efforts to reduce their pernicious influence. But after all our party did not and could not form a fairly complete set of theories to oppose Mao Zedong's erroneous ideas in his later years.

Under this circumstance and due to factors in other areas, Mao Zedong's erroneous ideas in his later years were unable to be corrected in time within the party. What is worse is that they were mistaken for new "theoretical creations" and were repeatedly publicized, causing many party members and masses to believe in them. Consequently, when Mao Zedong initiated the Cultural Revolution, it was impossible to differentiate and resist against the movement.

Another thing needed to be point out is that in addition to such conspirators and careerists as Lin Biao and Jiang Qing, a few persons of very poor political quality indeed existed in our party. Not only did they actively publicize and implement Mao Zedong's erroneous ideas and political line in the areas and departments where they worked, but they also volunteered to cater to Mao Zedong's mentality by frequently using different methods to supply him with information on distorted facts and the so-called "new concepts" and "new experience," thereby playing an evil role of adding fuel to the flames in the formation and development of Mao Zedong's erroneous ideas in his later years. This also further complicated the problems our party had in the struggle to correct Mao Zedong's mistakes.

#### **Lack of Democracy Within the Party Contributes to Personal Arbitration**

The shortcomings of the party in its system, especially the fact that the collective leadership and democratic centralization systems of the party were weakened continuously until they were destroyed, were an extremely important reason why the Cultural Revolution could occur and continue for such a long period of time.

Our party was founded in a China that was a semifeudal and semicolonial society. During the period of the democratic revolution, our party was subject to a long-term underground status and the environment of war. It was

also seriously influenced by the previous concepts and practices of overcentralization of the Soviet Communist Party. The democratic system within the party was incomplete. After the democratic revolution gained a national victory, we made a lot of efforts to improve democratic systems within the party. However, because we unduly exaggerated the experience of unified leadership exercised in revolutionary bases and emphasized the "command of party secretary" in everything, everywhere, and at every moment, the power of the party was overcentralized in individuals. The 8th party congress once correctly emphasized the collective leadership of the party and the need to adhere to the system of democratic centralization and opposed giving prominence to individuals, but it did not form a complete system to guarantee the implementation of these principles. The leadership, election, and supervision systems of the party all failed to undergo effective reform and construction in accordance with the status and requirements of the ruling party.

After 1956, along with the development of the personality cult within the party and the worsening of Mao Zedong's patriarchal behavior, first the collective leadership and democratic centralization systems of the party Central Committee were weakened and destroyed to an increasingly large extent, and then Mao Zedong moved farther and farther away from the supervision and restriction of the party and gradually became a personal arbitrator in the party Central Committee. Prior to and during the Cultural Revolution, deliberately instigated by the group of conspirators and careerists of Lin Biao, Jiang Qing, Kang Sheng, and Chen Boda, the party went one step further and developed an extremely abnormal situation in which Mao Zedong was regarded as the person to "pledge loyalty to;" all his views were regarded as so-called "highest directives;" and all doubts about his views were considered as so-called "revisionism." As a result, the democratic atmosphere of the party was stifled, party members were deprived of their just rights, and normal criticism within the party was smothered. In such a political climate, it became increasingly difficult for the party to correct Mao Zedong's mistakes. Because of this, although there were always forces within the party to fight his mistakes during his initiation of the Cultural Revolution, they failed to effectively stop and correct his mistakes in a timely manner.

#### **Imperfect Development of Democracy and Legal System**

The reason why Mao Zedong's mistakes in his later years could not be stopped and corrected and why the Cultural Revolution could occur was related to the imperfection of our national system and socialist democracy and legal system.

After the revolution of 1911 overthrew the rule of the Qing dynasty, China did not establish the system of a democratic republic. Due to the unique conditions of the history of Chinese revolution, our party quickly switched to the socialist revolution after gaining victory in leading



the new democratic revolution. Undoubtedly, the task of establishing a democratic political system may and must be fulfilled in the socialist revolution. We also did a great deal of work in this regard and made definite achievements. But, generally speaking, we did not fully understand the importance of establishing a socialist democratic political system. We often considered democracy as a means and failed to consider establishing high-level socialist democracy as a goal that we should work hard to achieve. We had failed to pay enough attention to and find satisfactory solutions to such problems as how to build a socialist country, how to carry out socialist democracy, how to operate on the part of the party in a socialist country and society, how to fully respect the right of the people as the master of their country and the personal rights of the people, how to maintain in the leadership of the party the necessary independence of state power, judicial, and government organs as well as enterprises, schools, and mass organizations.

We had not strived to fully carry out and strictly enforce the basic demands of socialist democracy and legal system, such as establishing a perfect socialist constitution, law and legal system, guaranteeing the constitutional rights of freedom and democracy of citizens, and ensuring that every one is equal before law and that the socialist judicial system enjoys independence. Moreover, we even considered these as bourgeois political and legal viewpoints and negated them.

At the same time, since we lacked theoretical study and actual experience of this issue, many Chinese political systems were copied from Soviet experiences. Before the October Revolution, Russia was also a feudal autocratic country short on democratic traditions. After the October Revolution, the theory and practice of the Soviet Communist Party on such issues as the democratic system of state, economic, and social organizations and the party leadership over the country not only were imperfect but had major shortcomings in principle. However, since the overcentralized concepts, systems, and practices of the Soviet Union were once regarded as the model for all communist countries, it was, of course, impossible for us to escape their influence in the construction of our party and national system. In sum, the imperfection of the socialist system, socialist democracy, and legal system plus the influence of negative traditions in Chinese history and Soviet political life made it difficult for the Chinese people to exercise their rights. During the Cultural Revolution, the Constitution and law were discarded as waste paper, no institution or legal force could stop and punish various illegal activities, state organs and mass organizations had no power to restrict the errors of party leaders and protect their own rights, and the whole country and people did not know what to do in the face of serious sabotage activities. This cannot but be an extremely bitter and profound lesson.

#### **Pernicious Influence of Feudalism**

The formation of Mao Zedong's erroneous ideas in his later years and the occurrence of the Cultural Revolution

also had profound social and historical reasons. The most important one was the serious influence of feudalism. China is a country with the longest history and most complete feudal system in the world. When China became a semifeudal and semicolonial country, its capitalist factor was also very weak. Feudal autocracy had a long history and tradition and a solid social foundation in the social and political life of China. The victory of the new democratic revolution decisively destroyed feudal economic and political systems, but there was much to be desired in eliminating the influence of feudalism.

After the socialist reform, the small-scale production system which was the foundation of society underwent fundamental changes in production relations, but the labor method of small-scale production which was based on backward manual labor did not have any major changes. The force of habit of small-scale production still existed to a serious extent. The extremely backward economy and culture of old China had developed and changed after the founding of the PRC, but generally speaking its development was too slow and its standards too low. This social condition could not but substantially hinder elimination of the influence of feudalism and the small-scale production mentality. After we switched from the democratic revolution to the socialist revolution, we failed to fully understand the longstanding and arduous nature of eliminating the influence of feudalism. We did not consider it an important political and ideological task to make great efforts to fulfill it.

Under the situation of overemphasizing the need to "criticize the bourgeoisie" and to "criticize revisionism," we ignored the systematic and specific criticism of the influence of feudalism. Because of this, backward social ideas such as personality cult, the patriarchal system, patriarchal relations, the special privilege mentality, the concept of social estate, parochial conservative thought, and complacent and conservative ideas had broad influence not only in society, but also in the party. When the leading organs of the party, especially the leaders of the party Central Committee, were also influenced by these backward ideas, they could not avoid seriously undermining the leadership of the party and the party's work in all areas. For instance, the influence of feudalism was reflected in the overcentralization of the leading power of the party and the state, the imperfection of the democratic system of the party and the state, undue emphasis on using administrative means and political power to manage the economy, and the negligence of the important role of education, science, and intellectuals. Prior to and during the Cultural Revolution, deliberately instigated by the counterrevolutionary clique of Lin Biao and Jiang Qing, the influence of feudalism in the above areas became even more serious. Especially prominent was that personality cult developed into a fanatic phenomenon. Without such a political and social environment, it was absolutely impossible for the Cultural Revolution to occur and continue for as long as 10 years.



**From Controversy on Communism To Combating and Guarding Against Revisionism**

The international factor was another important aspect that must not be ignored in the formation of Mao Zedong's erroneous ideas in his later years and the occurrence of the Cultural Revolution. In the late 1950's of this century, a great controversy occurred in the international communist movement. In light of the situation of the international communist movement, Mao Zedong raised the issue of combating and guarding against revisionism. Since he made a totally unrealistic subjective assumption of the political situations of our party and country, he developed a sense of urgent crisis in which "the party will become revisionist and the country will change its political color." First, he mistakenly thought that "China may give birth to a Khrushchev." Then he asserted that "Khrushchev" was "sleeping right here beside us." He also thought that, in order to prevent the party and country from becoming degenerated, we must carry out endless class struggle within the party and country. Consequently, he considered almost all contradictions within the party and country as

class struggles between the proletariat and the bourgeoisie. He considered all opinions against his erroneous ideas in his later years as "revisionism" and charged them without grounds of "maintaining illicit relations with foreign countries." By doing so, he confused in essence the line of demarcation between Marxism and revisionism and deliberately created an extremely desperate atmosphere in the party and country. The clique of Lin Biao, Jiang Qing, and Kang Sheng took advantage of this situation and carried out various conspiracies by spreading rumors and fabricating false charges, thus prompting Mao Zedong to launch the Cultural Revolution in spite of everything.

As a major, particularly complicated historical phenomenon, the Cultural Revolution, of course, needs more profound studies by historical scholars. But its basic causes and lessons are already very clear to us. We believe that all historical phenomena have a pattern of cause and effect. Since we have pointed out the causes and conditions of the great historical tragedy of the Cultural Revolution, we must be able to draw lessons from it and prevent this tragedy from repeating itself.

Written between late 1980 and early 1981.

## NATIONAL AFFAIRS, POLICY

### Economists Discuss Reform Under Four Cardinal Principles

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[GAIGE-sponsored symposium: "How Can We Advance Reform and Opening While Upholding the Four Cardinal Principles?"]

[Text] Uphold the Basic Line of "One Focus and Two Basic Points"

Jiang Yiwei [5592 0001 5517] (Member of the NPC [National People's Congress] Legal Committee; president, Chongqing Academy of Social Sciences; editor in chief of GAIGE)

The editorial department of GAIGE is convening this little symposium today to conduct a preliminary discussion of the question of how we can advance reform and opening while upholding the four cardinal principles. We are very grateful to you for taking time from your busy schedules to participate in this discussion and to several comrades who, truly unable to come, nevertheless sent papers to be read here.

The 4th Plenary Session of the 13th CPC Central Committee was a historically significant meeting of our party. The resolutions, especially Comrade Deng Xiaoping's speeches, possess far-reaching significance. The plenary session reiterated that we must continue to uphold and implement the basic line of "one focus and two basic points." Through study we have become profoundly aware that the tasks facing the theoretical front are extremely important. As an academic journal devoted to exploration of the theory and practice of reform, GAIGE hopes, with the support of theoretical circles and practical workers, to do its part in the effort to find a path to socialism bearing Chinese characteristics.

In a speech delivered to the NPC Standing Committee a short while back, I said that there are roughly three kinds of ideological tendencies in theoretical circles (in actuality, these tendencies may well characterize the various social circles, as well). The first tendency involves a minority of comrades, who, though loyal and devoted to the party and to Marxism, are insufficiently liberated in their thinking and cannot adapt to new circumstances, develop Marxism, and respond to new battles. The second type rejects Marxism completely and advocates all-out Westernization, namely, bourgeoisification. While many people embrace this tendency, they still constitute a minority. The third type desires both to reform and open and to stick to the socialist road, maintaining that reform is and can only be the self-improvement and development of the socialist system. Comrades of this tendency form the majority, yet each of these comrades fights alone, they have failed to organize to form a powerful force, and are under attack from both the front and the rear: they are viewed as champions of

bourgeois liberalization by conservative comrades and as dinosaurs by Westernizers. Thus, these comrades often find themselves under attack from both sides and appear as if they were a minority. With the theoretical front in such a plight, it is of course difficult effectively to meet the stern challenge posed by antisocialism and anti-Marxism.

Comrade Deng Xiaoping recently stated that our greatest error over the past decade has been in education. I believe this conclusion hits the nail squarely upon the head. Many comrades have expressed regret that we have slackened ideological-political education. Nevertheless, to educate someone, one must have "course material" (a system of ideological theory). Yet the old material is unsuitable now, while new material remains unavailable, so this is a big problem. Over the past decade, under the leadership of Comrade Deng, who has served as chief architect, reform and opening have achieved tremendous success, and the lines, general principles, and policies have been correct. The concepts of planned, socialist commodity economy, the preliminary stage of socialism, and the like, constitute major developments of Marxism. Nevertheless, theoretical circles have failed to rally their forces and to transform these brilliant ideological achievements into systematic theory so as to specify and systematize the concept of socialism of a Chinese stripe and use this theory to guide reform and opening, as well as educating and arming the broad masses. Consequently, I hope that the party Central Committee, while attacking the current four major tasks, will be able to lead and organize a corps of theoretical workers who uphold both the four cardinal principles, as well as reform and opening, unite with all comrades with whom we can unite, take advantage of this opportune moment in which old proletarian revolutionaries are still alive and hale, summarize past experience in a planned and step-by-step fashion, look toward the future, and establish a theoretical system, or at least the framework thereof, for socialism bearing Chinese characteristics. Only thus will we possess a standard of right and wrong and a basis with which to advance reform and oppose becoming a member of the bourgeoisie. Otherwise, there will be a welter of conflicting definitions of what constitutes bourgeois liberalization and what does not. Albeit not an urgent priority, this task is important, affects long-term peace and security, and has to be taken into account.

As to reform and opening, Comrade Deng has emphasized in several speeches that we must advance both, stating: "In sum, we need to be even bolder in reform and opening." These directives are of great significance to our current and future work. Of course, we must conscientiously study how we can advance reform while upholding the four cardinal principles and the specific steps and measures by which we may do so. To avoid and reduce errors, I believe we must create a democratic and scientific decision-making process. I presented some suggestions along these lines to the 2d Plenary Session of the NPC this year (which were reported in an interview

with me published in Issue No 3 of GAIGE this year). Today's discussion cannot delve into the specifics of how to advance reform and opening, but it is essential that we begin to kick the issue around.

The problems involved in economic restructuring are none other than the three areas identified by the 3d Plenary Session of the 12th Central Committee: microscopic invigoration, the creation of markets, and macroeconomic control. Reform in these three areas must be coordinated, but for a while we must have certain foci. I believe that, given current conditions, we should first stress one or two reforms in macroeconomic control in combination with the improvement-rectification program. I feel that the fiscal system should be one focus and that in this connection we should also reform the investment system, lest the problem of excessive demand become insoluble. Another issue, one that has never been resolved, is the need to invigorate enterprises, principally, medium and large firms, especially the latter. The situation today still requires "tying up the tiger and releasing the monkey." Failure to accomplish this will make it impossible to resolve the problem of insufficient supply.

There are many problems that must be resolved in the effort to advance enterprise reform while upholding the four cardinal principles, a major one being the socialist nature of enterprises. People may differ greatly over how we should address this question, which thus requires careful handling. Established policy must not be changed lightly, for that would create anxiety and undermine production and supply, compounding the problem. Thus I propose that in microscopic invigoration we start by improving the situation faced by enterprises so as to bolster supply and by advancing study of the appropriate socialist model for enterprises, including their form of ownership; managerial methods; leadership, labor, and distribution systems; and the like. These fundamental problems must be resolved in a coordinated fashion. When our study bears fruit, we should implement its findings progressively, starting with pilot tests. We must by all means avoid tinkering here and puttering there, an approach that will bring chaos to enterprises, with terrible consequences.

The center recently issued seven decisions concerning eradication and prevention of corruption, which have proved very popular and won high praise. What the masses worry about is whether these decisions can be implemented. We believe that the center is determined to and definitely will do so, successfully. However, full implementation requires further systematization, such as drawing up a law on government officials, an effort that itself constitutes a major reform and an important component of reform and opening.

#### **Fully Implement the Improvement, Rectification, and Reform Programs**

**Wang Jue** [3769 3778] (Professor at the Central Party Academy)

In each of his recent important addresses, Comrade Deng Xiaoping has explicitly emphasized that the party's policy of reform and opening not only must not be changed but must also be implemented in a more stable and better manner; indeed, faster. He especially stressed that reform and opening have not ventured too far; rather, have not gone far enough. Of course, our reform and opening must be effected on the basis of the four cardinal principles. As a theoretical worker, I feel that our direction is now clearer and our confidence firmer.

I believe that, in view of the actual situation developing in China, we must properly implement Comrade Deng's important directives and the relevant decisions of the 4th Plenary Session of the CPC Central Committee, and all quarters must support the program to bring the economy under control, making an effort to restore order to the economy, enacting a general policy to advance reform across the board, and other effective measures. To this end, I should like to discuss the following ideas:

*First, invigorating enterprises, especially key publicly owned large and medium-sized firms, and improving their social and economic results and benefits should form the starting and ending points of our effort to effect full improvement, rectification, and reform.* In the final analysis, fundamental resolution of our current economic difficulties and exploiting the advantages of socialism depend on enterprise invigoration and improvement of economic results. Thus our improvement, rectification, and reform work should focus on key large- and medium-sized enterprises, which are the lifeblood of the national economy, the main suppliers of commodities, and a principal source of government revenue, most of whom belong to developing sectors and produce goods that are in short supply. Giving full play to the roles of these enterprises in improvement, rectification, and reform will directly affect the success of these programs. Given current conditions, to invigorate such enterprises, we must, wherever necessary, return the recently withdrawn authority of firms to market their products and to set prices themselves, restore preferential investment policies granted to the firms, and adopt necessary measures to assure the firms stable supply of funds, energy, raw materials, and the like. Enterprises lacking sufficient supply of these factors should be allowed to obtain them on markets.

Since improvement of the contract responsibility system has been made a basic element of enterprise reform, we should step up and support trial implementation of contract responsibility for all employees of qualified enterprises. This system better facilitates mitigation of manager-worker contradictions, strengthening of workers' sense of being their own masters, and thus gives managers and producers more incentive to work and improve economic results, in addition to laying the groundwork for trial implementation of stock systems. In enterprises that have pilot-tested stock systems, we should improve the system of CEO responsibility under

board leadership. All enterprises, no matter what managerial forms they employ, should give full play to the supervisory and guarantee roles of the party committee, strengthen political-ideological work, and ensure a healthy advance toward socialism.

We urgently need to overcome the erroneous tendency of "replacing control with contracting," improve enterprise management, not abandon, but further develop approaches that have proved effective in the past and, especially importantly, not overlook the role of workers in strengthening enterprise management. As a fundamental principle, the Angang Charter constitutes a correct approach in this effort. Under difficult economic conditions, in particular, we need to strengthen the leadership work of unions among workers and, in principle, should try to satisfy worker demands with respect to pay and benefits so as to raise workers' democratic consciousness and sense of responsibility.

In invigorating enterprises, we should not "wield one knife for all." No system, whether economic responsibility, contract responsibility, or shareholding ownership, can be applied universally throughout the nation, much less forced to do so. Even key publicly owned enterprises exhibit great differences in terms of organizational and managerial forms due to differing sectoral characteristics. Under current conditions, no matter what system or method employed, enterprise productive and operational vitality should be preserved, not weakened. Additionally, we must improve enterprise organization and management. The success of enterprise reform will to a large degree be determined by the extent to which state functions are differentiated and to which enterprises are separated from government. The proper direction for enterprise reform lies in the development of a modern enterprise system. A better approach to such desideratum might be to vigorously link or amalgamate different industries or to shift from conglomerates to shareholding systems.

*Second, we must establish a new commodity system and promote market development.* Economic disarray is manifested in concentrated form as commercial overheating and in excessive trading profits engendered by double-track pricing, which are the primary causes of the chaos and speculation plaguing trade. Besides having industrial-commercial, price, tax, audit, and other departments work together to crack down on blatant speculation and other illegal activity, we should focus our work on creating a new commodity system and on promoting the healthy development of markets. Reform should: 1) effect organizational restructuring and thereby enable enterprises directly to participate in circulation and reduce unnecessary intermediate links; 2) give key state commercial operations greater autonomy so as to enable them to organize, through fund injections, production of goods urgently needed on markets; 3) invigorate, through development of an administrative system, control of wholesale prices. Clearing this major channel will make it easy to restore order to the marketplace and will enable us to boost state revenue.

The key to restoring market order lies in proper control of the wholesale link. Where government and enterprise have yet to be separated, we must strive to reform so as to truly decouple wholesale agencies and their subordinate commercial administration departments, to gradually define ownership relationships, and to ensure that we no longer play a role in distributing commodities and instead participate in market exchange as traders. To deal with the current situation, the government should organize planned markets for agricultural products and means of production as quickly as possible. For agricultural products, we should first create centrally planned wholesale markets and, once these markets are established, ban all illegal markets save those that serve to readjust peasant surplus and dearth. Biannual fairs for ordering producer goods and materials should be transformed into planned wholesale markets for various means of production, the participants in which should be key state enterprises producing and central and local agencies administering such goods. With respect to participants, market control commissions should be organized to carry out strict investigation of trader qualifications. Members can serve as agents to handle trading for nonmembers, for which service a legally prescribed fee should be assessed. And the four types of steel products subject to state monopoly should be auctioned on state-planned wholesale markets. Meanwhile, we must formulate necessary laws, regulations, and rules governing, and have relevant agencies supervise and inspect markets.

Since double-track pricing cannot fully be abandoned in the near future, we should act to curb abuses therein. First, we must delineate, reduce the scope of, and establish rules to govern double-tracking. Planned allocation prices are distribution prices, and market prices alone constitute exchange prices. The former are determined by the law of distribution, the latter by the law of value; the two tracks must not be allowed to overlap. Second, where necessary, the state must, in a planned fashion, hike the prices of allocated commodities, honor the law of value, and prevent these prices from diverging too widely from commodity prices. We must aggressively lay the groundwork and as quickly as possible rationally readjust prices for grain, cotton, oil, coal, communications, and transport. Third, we must readjust the relative profits of industry and commerce and ensure that excessive commercial profits go to producers. Finally, price subsidies could be turned over by operational departments to the state for unified provision to agriculture and basic industry.

*Third, we must strengthen macroeconomic regulation through planning and change the way in which macroeconomic regulation is effected.* The core element in this endeavor is transforming government functions, which entails a shift from direct administrative control to indirect regulatory control, in three areas specifically: initiating the process of study, formulation, and consultation with respect to industrial policy; changing the central-local fiscal contract-responsibility and dining-from-separate-hearths systems; and establishing a

banking system wielding independent regulatory and control authority. In transforming government functions, we must have explicit regulatory-control objectives, alleviate the conflict of interest between the center and the localities, and use economic levers to effect flexible regulation and control.

The key to our efforts to initiate the industrial-policy study-formulation-consultation process lies in transforming the functions and work methods of planning commissions so that the commissions become the nerve centers guiding economic development. The state planning commission's new functions should be to formulate and promulgate in timely fashion industrial policy and relevant support measures and to provide correct macroeconomic guidance for the planned development of the national economy. Local planning commissions accordingly should become implementers, monitor, and provide consultation regarding industrial policy; and, in implementation work, strive to coordinate the relations between their locality, enterprises, and the center.

An important aspect of the program to change the way macroeconomic regulation is effected is to advance reform of the current fiscal, taxation, and banking systems. To readjust and change the interest relationship between the center and localities, we could begin by separating central and local taxes on a trial basis beginning next year. Absent tax restructuring, income tax could be shared by a 2:5 ratio, while all commodity taxes would go to central coffers. We must strengthen tax agencies, enable the center to exercise unified leadership over tax administration, improve the efficiency of that administration and the transparency of tax work, and strive to initiate within the next 2-3 years a system that separates tax and profit flows.

The focus of bank restructuring lies in improving the central bank's regulatory-control capability, invigorating basic-level banks, and restoring order to the financial system. The central bank system provides an important tool with which the state can effect macroeconomic regulation and control. Thus, we must strengthen the independence and vertical leadership of the central bank in implementing policy, have the bank establish branches in large economic regions and cities and abolish provincial branches, and reduce local government interference in financial policy. To ensure supply of funds needed by large enterprises, we might take funds from the Industrial and Commercial Bank and establish a "bank for the promotion of vigorous economic development."

We must increase interest rates, gradually make them positive, and strive to improve bank service and reputation. While taking into account budgetary and enterprise ability to cope, we should increase interest rates on savings deposits before we increase interest rates on loans and raise the former more than the latter. And, while straightening out the equity relations of basic-level banks, we must also establish or improve banking laws and systems so as to strictly check financial speculation.

#### Step Up Rectification, Improvement, and Reform in the Realm of Circulation

**Dong Fureng** [5516 6534 4356] (Member of the NPC Standing Committee and vice chairman of the NPC Committee on Finance and Economy)

The theme of this symposium—how can we advance reform and opening while upholding the four cardinal principles?—is not hard to answer in terms of principle, for the historic task before China is achieving socialist modernization, and to promote socialist modernization we must reform and open up. Therefore, any reform or opening that promotes *socialist* modernization is necessarily consistent with the four cardinal principles. Of course, the question of how we can advance reform and opening so as to better promote and not work against *socialist* modernization requires concrete analysis.

Reform and opening have been under way for a decade, have achieved tremendous success, and confronted many problems. On balance, this effort has accelerated socialist modernization, yet some theories, decisions, policies, and practices certainly have not been conducive to and may even have undermined the cause of *socialist* modernization. At this juncture, to advance reform and opening while upholding the four cardinal principles, we must conscientiously rethink and summarize matters. As for the current situation, aggregate supply greatly exceeds aggregate demand, the economy is in grim shape, and we are working to effect improvement and rectification, and thus cannot push major reform. Yet this naturally does not mean that we cannot implement any further reform. We *can* undertake practical and feasible reforms that are consistent with the improvement and rectification program so as to integrate the program and reform as quickly as possible.

As a fundamental approach, we should focus reform on state enterprises, which comprise a substantial share of the national economy and have not been reformed well at all. During the first half of this year, the comparable per-unit product costs of industrial enterprises included in the state budget rose 18.6 percent from last year; the share of firms suffering losses rose to 20 percent from the last year's level of 19; the firms' losses soared 113 percent, equal to the total volume of losses the firms posted in 1988; and profits fell 12.1 percent. If this state of affairs is not radically reversed, the economy will not be able to escape its present predicament, and the objectives of the improvement and rectification program will be unachievable. Nevertheless, complete reversal of this state of affairs will by no means be easy, definitely will not succeed if we focus solely on reform of state enterprises, and is unlikely to take clear effect in the near future. Of course, we should also step up reform. And while effecting improvement and rectification, we certainly must continue curtailing fixed-capital investment, credit, social group purchasing power, and individual consumption funds; restructure industry; and the like. These efforts must not be relaxed one iota and should be accompanied by complementary reform. I believe that

stepping up improvement and rectification in the realm of circulation will yield the quickest results in the short term and that this effort should be combined with appropriate reform. While it is true that the severe problems afflicting circulation are not due solely to shortcomings in circulation itself and that improvement and rectification in this realm require similar effort in other spheres, stepping up improvement and rectification and complementary reform in this realm will go a long, long way toward alleviating the grim conditions in the economy and toward promoting improvement, rectification, and reform in other spheres, as well. Here I should like to discuss several matters.

**Checking inflation and controlling prices.** Inflation and the sharp price rises it engenders are one of the biggest causes of popular complaint. The economy cannot function properly if inflation is not checked and prices are not stabilized. To check inflation and stabilize prices we naturally have to take drastic steps, restrain aggregate demand, boost aggregate supply, and appropriately restructure supply and demand so as to preserve balance therebetween. In this effort, we must attack a variety of areas and persevere for several years. During the first half of this year, prices slowed, yet nationally retail prices still increased by about 25.5 percent over the same period last year, and it will be extremely difficult to keep this year's price rises markedly lower than last year's. While it is true that the reason prices are skyrocketing is because aggregate demand vastly outstrips aggregate supply, the serious chaos plaguing circulating fuels the flames. A ton of coal goes for only 20-30 yuan where it is produced but, after numerous circulatory links, often soars to 300-plus yuan by the time it reaches users in East China. In Qinhuangdao alone, 130 or more companies profiteer in coal dealing. The State Statistical Bureau estimates that 64.2 percent of the total rise in income resulting from price rises for raw materials and industrial products enters circulation. A substantial portion of this huge sum does not end up in state coffers at all. China has 470,000 trading companies of various types, many of which are social vermin that reap huge profits through middleman exploitation. Some companies in Qinhuangdao net 60-90 yuan for each ton of coal they buy and resell. Clearly, so long as we conscientiously rectify circulation, shake up trading companies, and shut down large numbers of pernicious trading firms, we will be able effectively to hold down prices so that enterprise production costs decline and economic results improve, thus promoting greater price stability and boosting government revenue. This move can be effected immediately and will produce immediate results. While rectifying up trading companies, we may begin implementing relevant reforms, such as decoupling trade companies from governments; establishing strict rules and regulations governing the establishment, registration, operations, management, auditing, and oversight of companies; restructuring the wholesale system; reducing circulatory links; and prohibiting retailer engagement in wholesaling. In addition, separating banks from governments and promoting bank independence will also

greatly help to strengthen control over credit and dampen burgeoning demand.

**Punishing official profiteering and stamping out corruption.** "Official profiteering" and corruption are also among the biggest causes of popular complaint. The former belongs to the realm of circulation, and while the latter is not limited to this realm, various forms of corruption in trading, such as bribery, cheating, swindling, and profligate spending, are severe and are spreading like a plague to other spheres. The most nettlesome problem in curtailing social group purchasing power is enterprises, especially trading firms. In some localities, firms, using business talks as a pretext, throw lavish banquets as if they were common fare. Thus, stepping up rectification of circulation, punishing "official profiteering," and stamping out corruption, combined with circulatory restructuring, will make a positive contribution to the restoration of a normal order and the establishment of proper trading rules in circulation, promoting market development, boosting government revenue, checking demand, and stabilizing prices.

**Strengthening tax collection and eliminating unfairness in distribution.** There is also great dissatisfaction with income disparity. When prices skyrocket, some real incomes decline, while some people grow rich overnight. Statistics from Shenyang reveal that, of ten occupations, enterprise owners boast the highest incomes, followed by individual entrepreneurs, with shop employees last. The highest monthly income (the average earnings posted by one entrepreneur) is 33 times greater than the lowest (for a retired worker). Individual households peddling apples enjoy incomes double those of professors. Income disparity has already begun to undermine social order and development and is closely related to circulatory disarray. Many rich upstarts profiteer in circulation, and sloppy tax collection in this realm is an important factor contributing to income disparity. Much trade goes undocumented or employs falsified documents, tax evasion is rampant, and tax revenue runoff is considerable. It is estimated that 60-70 percent of all individual entrepreneurs evade taxes, as do many state enterprises. Thus rectifying circulation, promoting tax system reform, strengthening control of tax collection, plugging leaks, preventing tax revenue runoff, and readjusting income distribution will help to resolve income disparity, boost government revenue, check burgeoning demand, and stabilize prices.

This work naturally will not be easy but still can be carried out, will produce some results in the near future, and combined with reform, improvement and rectification in other realms, will enable us gradually to achieve the goals of our improvement and rectification program and create a good environment for advancing reform in the future.

### Advance Macroeconomic Regulation-Control and Reform of Circulation

**Zhang Zhuoyuan** [1728 0587 0337] (Director, Finance and Trade Institute, Chinese Academy of Social Sciences)

What is the relationship between improvement-rectification and advancing reform? Can reform advance as we effect improvement and rectification? If so, how? These questions are controversial.

Some of the measures we have adopted in our improvement and rectification program have set back reform in certain respects, which is a fact that must not be ignored. For example, the state's decisions to effect monopoly over trading of chemical fertilizers, insecticides, grain, cotton, and four types of steel products that are in short supply; to set price ceilings on means of production; to "contract responsibility" in the form of inflation control targets down to each province, city, and county; to effect unified procurement of such important agricultural raw materials as silkworm cocoons and tobacco; to strengthen control over loan volume and total wage bills; and the like have reduced freedom to act within the marketplace and impeded market development and our effort to transform the pricing mechanism. Nevertheless, the effort to overcome the chaos plaguing circulation aims, in the final analysis, at constraining inflation and chaotic price spirals and, on the whole, is necessary and will help stabilize the economy. Therefore, the effort to control inflation and to restructure the national economy requires sacrifices not only in terms of economic development, such as slower growth and higher unemployment, but also in economic restructuring, including the facts that it will be impossible to initiate major tax reform, that administrative interference will grow, and that economic activities that had been turned over to governance by market forces will be returned to government control.

Thus it would seem unrealistic to expect that all government measures directed toward controlling inflation and price rises during the period of improvement and rectification will be conducive to and fully consistent with the direction of reform. Even economists who maintain such expectation have failed to come up with workable ways to achieve it. This is a manifestation of the fantasy that no price need be paid to bring inflation under control. In this respect, then, it probably is unrealistic to expect that reform can encompass everything, including improvement and rectification.

Still, we must not assume that reform will only ebb during retrenchment and that improvement and rectification are completely inimical to advancement of reform. The need, for the sake of improvement and rectification, to readjust the pace of and even slow reform in some respects is but one side of the coin and is true only for some cases. The other side of the coin is that improvement and rectification, to be effective, also urgently requires better coordination and linkage with and additional reform. This side of the coin is more

important and involves a wider range of activity. Our task is to carefully search for, identify, and vigorously implement reforms that will help stabilize the economy, facilitate improvement and rectification, and restrain inflation. Indeed, there is much for this kind of reform to do. Below, I should like to focus on just two areas we might reform—the macroeconomic regulatory and control mechanism and the circulation link—and raise some very preliminary ideas on how we might go about these two reforms.

*First, the need to adopt effective measures and conscientiously reform the macroeconomic regulatory-control mechanism.*

It was once believed that microscopic decontrol and macroeconomic control had to be effected in alternating fashion; that is to say, we must first decontrol and invigorate some entities and, whenever chaos arises, come up with a way to strengthen and restore macroeconomic control, whereupon we would return to decontrol and invigoration until a new wave of chaos hit, which would necessitate further improvement in macroeconomic control so as to keep the economy on track. By moving back and forth like this, it was believed, reform would gradually advance. It now appears, however, that this approach is not necessarily good, for it makes reform too costly. A decade of experience has shown that failure to exercise proper macroeconomic control as decontrol and invigoration are implemented will produce chaos, anarchy, and confusion in economic life and will undermine reform results, such as happened in the case of the severe consequences engendered by the loss of macroeconomic control in recent years, especially since 1986. Reform strategy should be rooted in tighter integration of microscopic invigoration and macroeconomic control. Naturally, the macroeconomic control mechanism itself requires reform: we must abandon the traditional direct, administrative control approach and gradually learn to rely primarily on economic levers, supported by administrative and legislative measures. In other words, we must turn primarily to indirect control.

Next, we must better restructure banking and do away with the servility of monetary policy to financial policy. To this end, we must affirm the independence of the central bank and enable the bank to implement its monetary policies independently. With respect to this policy, the central banks of almost all countries regard stabilization of their national currencies as their primary objective. This reform, which is targeted against the "main spigot" for reckless outpouring of yuan notes, will be a great help toward controlling inflation and bringing about improvement and rectification. By coordinating this reform with the effort to restrain demand, we will be able basically to bring inflation under control. Thus China's central bank should be separated from the State Council and become responsible to the NPC Standing Committee, and the bank's money supply and expansion plans must be approved by the NPC before they can be implemented, a requirement that will make it impossible for the bank willfully to increase the money supply above



planned levels, thus creating a system of checks and balances and restrain; indeed eliminate reckless and excessive yuan note issuance and make it impossible for governments, upon spillage of red ink, to run to the bank to exchange IOUs for overdrafts. Meanwhile, the bank will exercise vertical leadership over its branches, shut down provincial branches, establish 8-10 branches in key cities across the nation, and eliminate local government interference in its operations. The appointment, recruitment, wages, and benefits of officials in the central bank system are to be decided by the NPC Standing Committee. Specialized banks are to be subject to dual leadership from the central bank and from their own superiors and to coordination effected by the central bank.

We must hike interest rates on savings deposits and loans. Interest rates are an important macroeconomic regulatory-control lever. Under the new economic system, changes in market interest rates quickly and effectively will readjust supply and demand relations and cause the economy to expand (when rates fall) or to contract (when rates rise). Thus reform should move toward greater use of the interest rate lever to regulate the macroeconomic economy. Increasing interest rates so that nominal rates exceed inflation is another effective way to restrain inflation and has proved successful both in developed capitalist countries (such as the United States) and in developing countries and regions (such as South Korea and Taiwan a few years ago). Thus, while effecting improvement and rectification, we must make greater use of interest rates and build on the past several hikes to raise the annual rate to a positive 2-3 percent in the near future. In the summer of 1988, Chinese businessmen and economists repeatedly called for a big hike in order to stabilize savings and check inflation, yet action was delayed so long that runs on banks, shops, and markets erupted across the country in August of that year. If we had raised interest rates more and established value-preserving savings programs, things surely would have fared much better. The introduction on 10 September of last year of value-preserving deposits of 3 or more years and the 3 point hike for 1-and 2-year deposits did much to encourage savings and to stabilize banking. But that move was inadequate, and interest rates remain too low: 3-year fixed deposits only preserve value and do not provide real interest, while the rates on deposits of less than 3 years result in negative interest, which is even more unreasonable. Raising rates further so that deposits of a half a year or more retain their value or earn real interest is bound to encourage more saving and to better stabilize banking. And raising interest rates on loans will help cool the economy and investment fever and drive out inefficient production and business. We cannot shilly-shally as we have in the past and blow the excellent opportunity afforded by this policy, which experience at home and abroad has proved both helps check inflation and is consistent with reform policy.

To strengthen macroeconomic regulation and control, we must advance reform of the budgetary and taxation

systems. We must as quickly as possible separate recurrent outlays from investment expenditure in budgets, establish a fiscal-policy credit system, resolutely refrain from spilling red ink on maintenance-type expenditure, and stop making overdrafts on banks to cover investment outlays. As improvement and rectification advance, the government, too, should think about retrenching, take the lead in belt-tightening, and strictly restrain social group consumption. It would seem that the very least that could be done in this effort is to strictly prohibit use of government funds for purchasing imported automobiles. As for taxation, we should raise the tax rate on investment (hiking, for example, the rate on construction from 10 to 20 percent) so as to check blind expansion of investment. We should also rework and reduce tax abatements and abandon the bizarre practice of taxing state enterprises more than collective firms and the latter more than individual entrepreneurs.<sup>1</sup> Once the income tax rate for large and medium state firms is reduced (for example, to 35 percent), we must firmly insist that loan repayment charges be switched from a pretax to an after-tax basis. We must collect taxes more rigorously, severely punish tax evaders, recruit more and improve the quality of tax officials, and place tax agencies under the vertical control of the State Administration of Taxation.

The most difficult problem in fiscal reform is how to approach and change the local fiscal contract responsibility system, which was implemented nationwide in 1988. Although the system has given local government incentive to develop the economy and to boost revenue, it is plagued by glaring shortcomings, the principal of which is that it strengthens local interests and weakens central macroeconomic regulatory-control capability. Under this locally contracted financial responsibility system, various localities would selfishly compete only for projects that have short deadlines, projects that have adequate and advanced technology, and projects that can have fast profit returns, thereby causing the following problems: investment funds swelling up rapidly; severe problems of duplication in construction; assimilating local economic structure; resource deployment efficiency plummets; state's effort to restructure and improve the economy is frequently thwarted; imbalance between basic and processing industry intensifies; regional autarky, market fragmentation, and circulatory infarction impede development of a national market; the bidding up of prices for and panic buying of raw materials, and the establishment of checkpoints and border guards to prevent outflows of producer goods and materials in short supply drive up prices; and the central government gets boxed out of its revenues. Over the past several years, the share of state revenue in national income has fallen, reaching a mere 19 percent in 1988, when the central government accounted for only 40 percent of all government revenues. Indeed, revenues are falling in absolute terms. Thus the fiscal system must be restructured further, and we should gradually replace fiscal responsibility with tax sharing, which will jettison



the top-down divying up financial resources and designate certain tax types as central taxes, others as local taxes, and still others as to be shared between the center and the localities. And while separating taxes, we must define spending parameters for local governments at all levels. This reform constitutes a major piece of systems engineering, involves vital regional economic interests, and requires thorough planning and measured implementation so as to prevent chaos. At present, we must move to reduce the abuses and contradictions engendered by financial responsibility. For example, whenever inflation runs to double digits, we cannot adhere to the absolute volume for revenue remittance set forth in responsibility contracts and allow central revenues to decline year after year but rather should come up with ways to increase the share of central revenues in national income and in total government revenues (for example, commodity taxes should be assigned and authority to abate these taxes should be returned to the center, and tobacco, alcohol, and other big revenue producing taxes should be remitted to central coffers directly).

*Second, in the circulation link, we must accelerate market development, establish a long-range program and proper order for markets, and eliminate the chaos plaguing circulation.*

Eliminating chaos in and establishing a proper order for circulation form an important component of circulatory restructuring. In recent years, inflation, supply-demand imbalance, growing anarchy in economic life, and easy money in circulation have attracted everybody, including party and government organs, into trading, and powerful and influential cadres and their relatives vie to set up companies, wheel and deal, reap huge profits by reselling at market prices producer goods and materials and foreign exchange obtained through allocation at planned prices and even by selling approval documents and export licenses, and the like. These activities have aroused the righteous indignation of the broad masses and disrupted proper and orderly circulation. Thus we must rigorously rectify companies of all types, firmly rescind their (including enterprises trading producer goods and materials) administrative authority (including the authority to distribute producer goods and materials) and all policies granting the firms special treatment, and make all enterprises in which government and commerce overlap operate autonomously, assume responsibility for profits and losses, and separate government and enterprise functions. Without exception, all high-ranking cadres (beginning with provincial and ministerial cadres) and their relatives must withdraw from circulation. Government-planned allocation of producer goods and materials and foreign exchange must be conducted openly and subject to monitoring and inspection from all quarters. Profiteering from resale at market prices of allocated producer goods and materials and foreign exchange must strictly be prohibited.

Another component of circulatory rectification is rectifying enterprises wholesaling important means of production. Recently, a number of private and small collective enterprises have begun wholesaling such important means of production as coal, wood, and chemical fertilizer. In Fushun, some private firms make millions of yuan in a few short months from dealing in coal wholesaling, and some private wood wholesalers boast greater product variety and better access to supply than do state enterprises, an anomalous state of affairs. Although private and small collective enterprise participation in circulation *should* be expanded, these firms should stick mainly to retail trade. Wholesaling of some products (such as buttons, vegetables, and fruit) should also be permitted, but I believe that at the current stage private firms should not be allowed to meddle in wholesaling of such important means of production and consumer goods as coal, wood, chemical fertilizer, iron, steel, cotton, and grain, lest state regulation and control be undermined and chaos in circulation burgeon. Besides, private wholesaling of important means of production often is conducted through collusion with companies engaged in illegal activities and through inside connections. While cracking down on private wholesalers, we can uncover graft, fraud, and other illegal activity by state and collective enterprises, thereby help rectify circulation firms better. This is necessary to ensure the healthy advance of reform.

Double-track pricing of means of production is a major breeding ground of corruption. It is estimated that in 1987 the double-track price gap for means of production totaled 100-plus billion yuan, or more than 200 million yuan if profit and foreign exchange differentials are included, and was even greater in 1988. This vast treasure trove has become the focus of scramble among influential cadres who put profit before everything and among their relatives. Although there used to be much debate within economic and theoretical circles regarding the advantages and defects of double-tracking for means of production, opinions are gradually converging as the shortcomings of the system grow ever more apparent, and everyone now agrees that the tracks should be combined as quickly as possible; that is to say, most goods should be put on the market track, while a few, crucial commodities should be kept on the planned track.

We must continue taking measured steps to straighten out price relations. In 1988, we turned to administrative control and government subsidy to curb inflation, an approach that at most will give us a breather and allow us to restore economic balance and stabilize the economy. Administrative measures will be effective for only 6 months to a year, no longer, and subsidies will be impossible to continue owing to their high cost and to the government's lack of money. It is estimated that each 1 percent rise in prices requires 400 million yuan in subsidies in Beijing and 140 million in Tianjin. Thus, the fundamental approach to controlling inflation is to focus on checking the excessive growth in aggregate demand

and in the money supply, readjusting and improving economic mix, and increasing effective supply. Meanwhile, we must seize every available opportunity to take measured steps toward reordering price relations so that price fluctuation promotes rational economic restructuring. For example, hikes in contract procurement prices for grain and cotton are in order and will help revitalize agriculture, and raising producer prices of coal is required to stabilize coal production. I believe that we might consider other measures, as well. For example, train fares are inordinately low, a fact that produces harmful consequences; therefore, we should resolutely push through big fare hikes. We must also stop issuing ration coupons for high-grade consumer goods, decontrol prices, and impose special consumption taxes on some of these goods in order to boost state revenue. For commodities for which supply and demand are in basic balance or that enjoy great elasticity of supply, we should decontrol prices and let the marketplace regulate supply and demand.

In sum, I believe that we should continue to adhere to and vigorously promote marketization. Of course, this effort must closely be integrated with strengthening and improving macroeconomic regulation-control and planned guidance. Thus, we must gradually decontrol recently frozen prices; reopen closed markets (such as the rice market); open and develop markets for means of production and other goods; reduce monopolies, retaining them only where appropriate (such as exquisite tobacco or alcoholic beverages); continue to oppose regional autarky and bureaucratic cartels, and so on.

Finally, we must also step up efforts to develop markets, striving to make all exchange open, properly documented, monetized, and regularized; unequivocally affirm that under-the-counter dealing in producer goods and materials does not constitute reform but tax evasion and should not be encouraged; proclaim that extramarket exchange is unlawful; and prohibit procurement and marketing personnel from accepting commissions, gifts, and the like.

#### **Clarify the Guiding Ideology, General Principles, and Policies of the Program To Open Up to the Outside World**

**Ji Chongwei** [1323 1508 1218] (Executive Director, State Council Economic, Technological, and Social Development Research Center)

China's policy of opening up to the outside world was formulated by the central government in accordance with Marxist theory on the development of commodity economy, international exchange, and division of labor; with the trend that the global economy is moving toward integration, and with the positive and negative experiences and lessons China has had before and since the founding the PRC. Modernization requires opening to the outside world. Over the past decade, China's opening and reform have complemented each other, infused new vitality into the economy, strengthened us, accelerated

development, reduced the gap between ourselves and advanced nations of the world, taken us an important step forward on the road to modernization, and made a good start toward achievement of our strategic objectives in modern development. Our accomplishments have attracted worldwide attention and won the endorsement and support of the entire nation. Our task now is to continue and do a better job of opening up.

How can we do this work properly? I believe that we must summarize the experience and lessons of the past decade, confront our problems, consolidate our successes, overcome shortcomings, respond to change in the international environment and in domestic improvement and rectification work, define the guiding ideology that we must follow and implement in opening up to the outside world, and make appropriate adjustments in the general principles and policies governing the program.

1. In opening up, we must uphold the four cardinal principles, especially, keeping to the socialist path. We must oppose bourgeois liberalization, drive out spiritual pollution, and strive to build socialist spiritual and material civilization.

In opening up to the outside world over the past several years, some people have abandoned or rejected Marxist theory, mechanically copied bourgeois economic theory and models and even proclaimed the superiority of private ownership, dealt blows to the system of public ownership, attempted to replace planned commodity economy with private economy, and championed all-out Westernization politically, economically, culturally, and in other spheres. For a time, me-first-ism, profit-before-everything, money grubbing, and other forms of bourgeois mentality were rampant; robbery, theft, speculation, profiteering, graft, bribery, smuggling, tax evasion, and other crimes fed on each other and mounted; and obscene, filthy pornographic literature and videotapes poisoned the minds of the masses and of youth. Spiritual pollution is so dangerous that it threatens the nation with calamity. Comrade Deng Xiaoping stated, "In opening up to the outside world, we already sensed that the effort brings in negative influence from capitalist countries. We should draw on and emulate some of the good things of the West, but opening will also bring some bad things and affect people's, especially young people's, thinking, so we must oppose bourgeois liberalism as we open up."

Thus, while opening up, we must be sure to oppose bourgeois liberal deviation; criticize and oppose anarchism, ultraindividualism, me-first-ism, money-is-everything-ism, and other decadent thinking; sweep away soul-poisoning pornography; drive out spiritual pollution; strive to build socialist civilization; and teach the people of the entire nation to maintain ideals, morals, culture, and discipline, to stick to the socialist road, and to build and develop socialism bearing Chinese characteristics.

2. We must maintain the spirit of independence, self-initiative, and self-reliance. In expanding our external economic and trade ties over the past several years, we have slackened our spirit of self-reliance and arduous pioneering. For example, we have imported large quantities of foreign cigarettes, beverages, foods, cosmetics, automobiles, home appliances, and other high-class consumer goods and engaged in excessive or redundant importing of machinery, equipment, and production lines that either are not needed or can be produced domestically. This not only wastes valuable foreign exchange and abets extravagance but also impedes the development of native industry. China's dependence on imports already exceeds that of the United States, Japan, and India and is a problem that cries out for vigilance. We were prudent in borrowing abroad until 1985, but over the past several years there have been too many borrowers, borrowing has increased too rapidly, and especially importantly, there has been too much short-term commercial borrowing, while the economic results of foreign-capital use have been poor. China will face a debt repayment hump beginning in the early 1990s and thus must strictly limit assumption of new debt and strengthen control over the use of foreign capital so as to avoid falling into a morass of debt.

Ever since the recent counterrevolutionary rebellion was quelled, some Western countries have stepped up pressure on China with economic sanctions and interfered in our domestic affairs, developments that are very alarming to us. In the future, China must both participate in international exchange and division of labor (putting her main forces into the development of exports); avoid overreliance on foreigners; oppose blind of worship and fawning on foreign economy, technology, and culture; carry on the spirit of self-reliance and arduous struggle; stress the strategy of import substitution; properly absorb and assimilate imported technology; aggressively domesticize production of machinery, equipment, parts, fittings, and raw materials; and strive to do a good job in scientific, technological, research, design, and development work so as to bring research results to the marketplace more rapidly.

3. We must persist in opening up to the entire world while gaining a foothold in Asia and the Pacific. As we strengthen economic and trade ties with Western Europe and North America, we must focus on East Asia; take the initiative and actively participate in the industrial division of labor that is emerging in the region; strengthen economic ties with Hong Kong, Macao, and Taiwan; actively develop bilateral cooperative relations with the Soviet Union, Mongolia, Korea, Singapore, ASEAN nations, and South Korea; and strengthen economic and trade cooperation with the Third World.

4. We must enhance long-range strategic planning and macroeconomic control in external economic and trade work. First of all, we must overcome separatism among regions, departments, and enterprises and, while adhering to the principle of appropriate centralization and strengthening of state control over foreign trade,

foreign exchange, foreign debt, and use of foreign capital, advance restructuring and achieve complete synchronization and unity vis-a-vis the outside world.

5. We must replace the policy of regional tilt with the policy of industrial tilt. China's opening to the outside world has stratified regions into special economic zones, open coastal cities, open economic zones along the coast, and the interior. In the initial stage of opening, this approach accorded certain regions special preferences and proved effective in helping the regions to create better investment climates and attract foreign capital. Nevertheless, the approach has engendered competitive inequality among regions and enabled enterprises in regions that opened first to take advantage of their special preferences to snap up and export goods from other regions, scramble for raw materials, profiteer in resale of commodities, smuggle, evade taxes, and engage in other abuses, harming national interests and widening the gap in economic development between some coastal regions and the interior. Meanwhile, the common tendency to treat different industries of the same region equally in terms of foreign exchange use, importing, and exporting, impedes rational restructuring of Chinese industry. Thus we must reduce regional favoritism step by step in a timely fashion and shift toward a policy of favoring certain industries so as to maintain a level competitive playing field for all regions, eliminate the aforementioned evils, and facilitate optimization of China's industrial composition and rational allocation of resources.

6. We must shift our emphasis from quantity and speed to quality and benefits and strive to improve macro- and microeconomic benefits in foreign trade activities. We used to overlook management and comparative returns in foreign trade and tended to stress export volume, while ignoring improvement of product quality, agreement honoring, delivery deadlines, and after-sales service. In importing, we were even more extravagant: We insisted on importing goods available at home; in purchasing foreign goods, some enterprises failed to watch costs or compare price and quality diligently and thus got cheated or burned; the ratio of imports rated substandard in inspections climbed year after year and reached an alarming level; in borrowing abroad and in attracting foreign investment, we placed undue emphasis on the volume of agreements made and overlooked the economic results of foreign capital use; and project feasibility study was poor and approval lax and perfunctory, which means that a vast number of contracts was approved, yet projects were poor in quality, and many lacked the necessary conditions and encountered many problems in implementation. All of the above show that only by devoting vigorous effort to improving the microeconomic and macroeconomic results of foreign economic and trade work can we ensure that opening truly promotes the healthy development of China's economy and achievement of her four modernizations.

### **Uphold the Four Cardinal Principles and Persevere in Reform and Opening**

**Zhang Peiji** [1728 1014 1015] (Director, International Trade and Research Institute, Ministry of Foreign Economic Relations and Trade)

The 4th Plenary Session of the 13th CPC Central Committee stressed that we must continue resolutely to implement the line, guiding principles, and policies adopted since the 3d Plenary Session of the 11th Central Committee, uphold the four cardinal principles, and persevere in reform and opening. Comrade Deng urged us to "resolutely summarize experience, continue things that are correct, rectify errors, and put forth greater effort where there is inadequacy. In sum, we must summarize the present and look to the future."

In this decade of reform and opening, China's external economic relations and trade have developed rapidly and achieved remarkable success. Our foreign trade has doubled and redoubled, and we have vigorously expanded imports of technology, striven to obtain more external economic assistance, opened up such new realms of work as using foreign capital and obtaining multilateral and bilateral economic and technological assistance, contracted to undertake construction work and to provide labor service abroad, achieved an excellent trend in which we focus on earning foreign exchange and in which the various types of external economic and trade work promote each other and advance across the board, vigorously supported socialist modernization, and effectively broadened external economic and trade relations.

Nevertheless, as we summarize matters, we should note that many problems persist. Failure consistently to uphold the four cardinal principles and to carry out adequate political and ideological education among the masses has enabled bourgeois liberal thought to penetrate China's external trade work, too. This problem is manifested in the following major areas.

1. Self-reliance has flagged, and some localities and departments depend too much on importing, a development that to a certain degree hampers the development of native industry.

China is a large nation of 1.1 billion people. In developing our economy, we must rely primarily on the labor and ingenuity of our own people, fully exploit our own resources and the economic foundation that we have built up, and fully tap domestic potential. Once these things are accomplished, we must fully exploit international markets, vigorously develop foreign trade, and expand external economic and technological exchanges. In accordance with this basic policy, we should prohibit or strictly control importing of all goods that can be produced domestically in sufficient quantity to meet local demand, ground our work in domestic production, and safeguard the development of native industry. This is a correct policy that is employed by many developing countries.

As we summarize, it is apparent that we have deviated from this policy in our actual work during the past several years. For some time now, we have rarely championed self-reliance, relied too much on importing, preferred to obtain most machinery and equipment from industrially developed countries, and balked at using domestic counterparts even when these are available, suspecting poor quality. Long habituation to the use of imports has slowed domesticization of production.

2. The spirit of arduous struggle has flagged, foreign goods are blindly worshipped, and the sharp rise in imports of upscale and daily consumer goods squanders foreign exchange.

China is a large developing country whose economy and technology are backward and which will require much money to develop and, especially importantly, will long face shortages of foreign exchange and thus must maintain her tradition of industry and thrift and carry on her spirit of arduous struggle and pioneering. However, for some time now this spirit has flagged and, in contrast thereto and spurred by misguided champions of heavy consumption, wastefulness has spread to all quarters, and imports of all kinds have flooded our markets. Everything is pouring in, from luxury automobiles, televisions, video recorders, stereo equipment, refrigerators, washing machines, cameras, and timepieces, to cigarettes, nonalcoholic and alcoholic beverages, coffee, cosmetics, clothing, shoes, eyeglasses, photographic film, and candy. And it is famous brand, high class, and upscale goods that are prized, while pride is taken in using "imports." Thus large sums of foreign exchange are squandered year in and year out.

China's foreign exchange is hard-earned, its use should be rationally arranged and controlled, and its limited quantity should be employed where it is needed most so as to ensure imports of producer goods and materials urgently needed in China's production. The state should resolutely act and strictly prohibit imports of upscale and daily consumer goods.

3. Under the guiding ideology of "a myriad of households engaging in foreign trade," foreign trade operations have been delegated down to each level, some localities and departments scramble for authority to engage in such operations, foreign trade companies of all sorts proliferated, and there is internal competition, all of which developments engender operational chaos and leak national wealth abroad.

The mobilization of local and departmental enthusiasm and the dismemberment of old foreign trade monopolies certainly are necessary for the development of foreign trade. Nevertheless, foreign trade is an external economic activity and still requires possession of certain qualifications and attention to policy, economic results, and benefits and thus must not be decontrolled excessively. Especially importantly, with regional blocs emerging on the world scene, intense competition on international markets, and growing mergers of and

monopoly by production enterprises in all countries of the world, it would be very disadvantageous for us to disperse the operations of our foreign trade enterprises and to enter world markets as peddlers or vendors, and lack of up-to-date information and experience and too much internal competition often create tremendous losses and damage our external relations. Thus following conscientious summarization of experience, China's foreign trade system must conduct a wide-ranging discussion so as to come up with practical and feasible measures for further reform.

4. Weakness in ideological-political work and an imperfect and incomplete legal system have allowed violation of the law and of discipline and corruption in foreign trade to grow ever more serious, undermining China's reputation abroad.

Developing foreign trade and maintaining business reputation abroad are crucial to the survivability and growth of enterprises. When he was alive, Premier Zhou repeatedly urged foreign trade enterprises to "honor contracts and keep one's word," and this is what we always used to do, so China's foreign trade firms always maintained good reputations.

However, in recent years there has been serious adulteration of quality in merchandise and mixing of faked and genuine goods in some of our exports, and we have occasionally failed to honor contract provisions concerning delivery times, quality, and quantity or peremptorily and unilaterally annulled contracts, which practices have evoked loud complaint from many countries and seriously undermined sales. Relevant departments should take these problems very seriously and sternly punish breach of discipline.

Fundamental resolution of the above problems requires upholding of the four cardinal principles; firmly rooting our effort in practical reality; stepping up education in patriotism, self-reliance, arduous struggle, and socialism; and thorough criticism of the effects of bourgeois liberal thought on our external economic relations and trade work. We must step up effort to bring the foreign trade environment under control, restore order to foreign trade work, advance foreign trade restructuring, resolutely summarize experience, conduct thorough investigation and research, and formulate long-range plans for the development of external foreign relations and trade.

This does not constitute retreat from reform but affords a practical means of continuing reform and opening while upholding the four cardinal principles so that China's foreign trade can develop rapidly and in a healthier, stabler, and more down-to-earth fashion.

#### Several Questions Requiring Careful Thought

Zhou Shulian [0719 0647 5571] (Director, Industrial Economics Institute, Chinese Academy of Social Sciences)

Comrade Deng Xiaoping has asked us soberly to ponder both the past and the future, which action indeed is very necessary. Below, I shall discuss a number of problems in our effort to advance economic reform that require careful consideration.

*1. How Can We Overcome the Tendency of Having Unrealistic Acceleration of Pace in Reform When We Formulate Reform Plans?* Over the past decade, we have drawn up many economic reform plans. Some of these plans have played a positive role in guiding reform, yet others have raised overly ambitious demands and failed to achieve their proper effect. For example, a plan drafted in 1982 called for completion of economic reform within 8-10 years and stipulated that most of the main defects of the old economic system be remedied and that readjustment of the system of ownership; enterprise reorganization and amalgamation; price and wage reform; rational division of labor between the party, the government, and enterprises; and other tasks be completed by 1990. A 1985 plan called for basic completion of the shift from direct to indirect control within 5 years and stipulated that we reorder basic economic relationships; complete reforms of prices, planning, taxation, distribution of materials, and other things; and establish better commodity markets by 1990. And most of the 8-year (1988-1995) plan proposals drafted in 1987 believed that the shift from the old to the new systems could be completed and that the new economic system, namely, socialist commodity economy, could predominate within 8 years, and some of the proposals even expected that the old-new system shift could basically be accomplished within 5 years. I present these examples because some people deny that the problem of excessive demands exists in reform. While some comrades have suggested that "we ought to adjust the guiding ideology of overeagerness for success in reform," others disagree, but the facts adduced above show that there are grounds for this view of being overeager. The problem is that although certain reform plans clearly suggest that it is necessary to overcome the shortcoming of overeagerness, subsequent formulated plans remain to contain excessive demands. This requires careful reexamination of our experience and lessons in the formulation and implementation of previous plans and careful pondering as to why the plans frequently raised overly ambitious demands, so as to find a way to improve planning work.

*2. How Can We Avoid "Running in Place" in Reform?* The following problem plagued previous reform: Each stage of reform kept raising the same tasks, which were overly ambitious. For example, enterprise reform over the past decade went through pilot testing (1979-1980), economic responsibility (1982-1983), the shift from profit to tax remittance (1983-1986), enterprise contracting (1987-present), and other stages, each of which designated expansion of enterprise autonomy as a major task, which, nonetheless, has yet to be completed very well. I call this phenomenon "running in place," and it clearly is highly detrimental to advancement of reform. What must we do to overcome this phenomenon? This

question, too, deserves careful pondering. I believe that one the keys here lies in integrating the theories of reform advancement and reform stages into a guiding ideology. Reform must steadily advance—we were clear on this point in the past. But how can we truly enable reform to advance continuously? This problem not only has not been resolved but does not even seem to have been adequately studied. We should ascertain why we must divide reform into stages, how we can break reform into stages, what kind of stages we need, and the like. In breaking reform into stages, we must take into account support measures and linkages and ensure that reform can proceed in proper order, gradually and steadily. Each stage must have clearly defined tasks and sufficient time with which to complete those tasks and soundly complete them before we move on to the next stage and to setting new tasks. Each stage also needs ample time with which to consolidate its achievements, including resolution of lingering problems, full implementation of policy, carrying out support measures, strengthening management, and improving and consolidating new economic relationships. Only thus can we advance step by proper step and avoid “uncooked grains in our rice,” backtracking, and having to repeat old tasks over and over again. Though this approach will require more time for each stage, overall it will enable us to complete all the tasks more rapidly because it will reduce or avoid task repetition.

**3. How Can We Better Combine Reform Advancement and Managerial Enhancement?** Anyone with eyes can see that this decade of reform has achieved tremendous success in many areas. Yet from the perspective of economic results, reform undeniably has failed to achieve the positive results expected of it. Many factors are involved here, but the fact that reform management has not been strengthened as needed may be an important contributor. Microeconomically, many problems plague enterprise labor, producer goods and materials, cost, and financial management; ideological-political work; and other areas, and in some enterprises even basic management work has deteriorated. Macroeconomically, production, construction, circulation, and distribution are out of control and chaotic. We must hunker down and resolve enterprise and national economic management problems. This requires that we truly stress management problems in the effort to advance reform and that we combine reform and management so as to get them to suit and promote each other. How can this be accomplished? This question, too, requires careful pondering and rethinking. I prefer to put it this way: We reform so as to bring out the superiority of socialism and to promote rapid development of productive forces, but we will never be able to achieve these objectives if we do not combine reform and management. In the case of developing production forces, for example, restructuring the irrational economic system will enable us to remove the shackles fettering and to lay the groundwork for this effort. And to truly develop production forces, we must also scientifically organize all the factors thereof and resolve the

material-material, man-man, and man-material contradictions therein. All of this is inseparable from management. Management enhancement is a prerequisite for reform advancement, and the tasks of some reforms must be effected through management. The experience of Western countries in effecting enterprise reform through management merits our study and application. If we stress reform yet overlook and fail to strengthen management, we will not be able to implement reform properly no matter how earnest we are.

**4. How Can We Strengthen Party Leadership in and Ensure Smooth Implementation of Reform?** The “CPC Central Committee Decision on Economic Restructuring” provided specific stipulations on this question, yet theoretical circles have failed to provide adequate propaganda and study, so we must carefully ponder this issue. For example, we should think about why the party should strengthen its leadership over reform and about the consequences that might arise should the party fail to do so. Bourgeois liberals, who comprise a very small minority, advocate that China should effect privatization and, of course, oppose leadership by the party. Those of us who uphold the socialist nature of reform, on the other hand, must preserve and strengthen party leadership. Only thus can we overcome the difficulties in and obstacles to reform. We must also ponder and study the laws governing evolution of the socialist economic system and undergirding socialist economic reform. To master these laws, we must also study the laws governing the development of enterprise, market, and other economic systems. These changes in the economic system constitute a natural development process yet are also influenced by party and government policy. Only by correctly and meticulously mastering these laws can we enable the party to lead the broad masses consciously to implement reform and to victory. In addition, we must ascertain how we can enable party members to play vanguard and exemplary roles in reform. The glorious victories we achieved in our new democratic and socialist revolutions were inseparable from such roles, and socialist reform, which is even more formidable and complex, requires that party members play the roles even more.

#### **Enhance Rural Research and Promote Rural Development**

**Chen Jiyuan** [7115 0679 0337] (Director, Agricultural Development Institute, Chinese Academy of Social Sciences)

In the overall course of reform, Chinese theoretical workers, whether in terms of the breadth of the problems they have treated or in the depth of their analysis, have exceeded the achievements of previous efforts to study China's rural problems and exerted a tremendous effect on rural reform and development. Nevertheless, a review of the past decade reveals that a number of vexing problems persist in the theoretical study of rural development. For example, the tendencies of only mentioning achievements; failing to acknowledge mistakes or even

defending mistakes in rural work; of ignoring or downplaying doctrine while prattling about reform and development; and of ignoring, downplaying, or denigrating Chinese experience—always asking “what Greece would have done.” These problems undeniably have contributed in some measure to the fluctuation and stagnation in China’s agricultural production in 1985.

While correcting the direction of theoretical study of rural development, we must also strengthen theoretical study of rural problems, especially rural reform. To extricate rural production from stagnation and fluctuation, we must advance rural economic reform. The selection of the salient for this effort has vexed us for several years. It now appears that rural reform constitutes a tremendous piece of systems engineering, that reform measures are interdependent and condition each other, and that no reform, if effected in isolation, can achieve optimal results. Experience shows that the effort to advance rural economic reform basically involves two major, interconnected elements, the first of which is to improve and invigorate microeconomic rural economic organizations and the other is to create a suitable macroenvironment for rural economic development.

The most significant accomplishment of the decade of rural reform has been the establishment of a rural microeconomic organization that can mobilize the enthusiasm and creativity of hundreds of millions of peasants. This, the production-linked contract responsibility system, which makes households the basic unit of production, is the intrinsic, fundamental factor that spurred the rapid development of the rural economy several years back. However, while in practice rural microeconomic organization generally suited the development of production forces, in recent years this organization has fallen out of step therewith in certain respects. Theoretical opinion varies as to how we should address and resolve the problems confronting this organization, and practice requires that we pay close attention to the most controversial points in the debate and, through additional investigation and study, come up with new theoretical approaches to the problem. The questions we must study and answer in this regard include the following.

First, has the potential of a household as the basic unit of agricultural production been exhausted? The answer is negative. In current and future modernization of agriculture, the household will continue to retain vitality as the basic unit of agricultural production. While it is true that productive technology and equipment enhance man’s ability to manipulate nature, that technology and equipment will not and cannot alter the basic fact that agricultural production is a natural process, and an agricultural work force possessing initiative, enthusiasm, and responsiveness will remain a prerequisite for the effective growth of animals and plants. Moreover, while the scale of extensive farming will grow as rural productive technology develops and peasant operations improve, the scale of agricultural production, conditioned by the development of and interaction between

mechanical technology (which saves labor) and biological technology (which saves land), will not expand rectilinearly and to such a point as to render households inappropriate as the basic unit of agricultural production.

Second, should we promote appropriately large-scale farming or maintain dispersed operations? The population-land contradiction is especially salient in China, and cultivated land was distributed on a per capita, egalitarian basis when the household contract responsibility system was first implemented, so land parcelization has become a serious impediment to improvement of agricultural economic results. As agriculture modernizes, households will continue to form the basic unit of farm production, yet there will be an inevitable trend toward larger farms and concentration of dispersed land. Each locality must proceed from practical reality and readjust the numerical relationships among factors of production and, especially importantly, achieve the optimal relationship between labor and cultivated land so as to maximize economic results. Still, we must not be overeager for success in this endeavor. Whether or not farm size can be expanded and to what extent it can be expanded are determined by specific socioeconomic conditions, including development of nonagricultural industries and the ability of surplus labor to move out of agriculture; advancement of mechanization to the point of providing a material and technological basis for expansion of farming scale; development of the socialized service system to the point that the system can provide the production, circulatory, funding and other services required for large-scale farming; and peasants undertaking other occupations consciously and willingly abandon their land. Socioeconomic development varies greatly across region, so in promoting large-scale farming we must tailor measures to suit local conditions and not rashly “wield one knife” for the entire nation.

Third, is the top priority reforming the land ownership or the land utilization systems? There are essentially three approaches to reform of China’s rural land system: nationalization, privatization, and maintenance of the current system of collective ownership. I lean toward the latter approach and do not approve of making a big issue of reforming the land ownership system at this time. In fact, we can effectively resolve land use problems under the contract responsibility system by reforming the land utilization system. Pushing and arguing about ownership reform will only aggravate peasant unease and panic. Commercializing land use rights and establishing systems for the compensated use of land and for lease and transfer of land use rights will facilitate strengthening of land management, optimization of resource allocation, and rational and economic land use and will induce peasants to increase inputs in land and to improve land quality.

We must also explore a number of important theoretical and practical problems related to the question of how we can create, through reform, a macroeconomic environment conducive to rural economic development.



*1. How Can Price Reform Give Peasants Incentive To Farm?* The big hike in procurement prices for rice and 18 other major agricultural products was a principal factor contributing to the record harvests obtained for grain and cotton in 1984. Nevertheless, the leapfrogging that has occurred among prices for different products in recent years has sent farm prices down to the bottom once again in comparative terms. And among farm produce, the comparative returns from grain cultivation are low. This state of affairs poses a serious disincentive to farming, especially grain growing. To establish a rational price relationship and to eliminate the scissors effect between industrial and agricultural products, we must not limit our focus to hiking farm prices but work in conjunction with overall economic reform and synchronize with urban economic reform, nor can we go overboard and push for impractical and thus unachievable objectives. As the new system supplants the old, double-track pricing for certain important produce, especially grain, is inevitable, and it is unrealistic to expect and impossible to abolish double-tracking in the near future. Nevertheless, as economic conditions change, we must gradually reduce the number of goods subject to state pricing, expand the scope of negotiated and market pricing, and put an end to the tendency in recent years for "dead sectors" to squeeze out vigorous ones.

*2. Should We Continue Reforming the System of Centralized Procurement or Restore the Entire System?* Since 1985, we have undertaken reform of the centralized procurement system for agricultural produce, which system had been employed for many years, and treated this reform as an important policy with which to invigorate rural economy and as the central task in the second step of rural reform. However, fluctuation in agricultural output in recent years has posed unanticipated difficulties for reform of central procurement. We have had to reinstitute central procurement of grain, cotton, pork, and other produce; reduce the number of goods decontrolled; and increase the number subject to rigid central control. Nevertheless, it is in fact no longer possible to restore central procurement in toto now that household contract responsibility has been implemented and that the people's commune system, which formed the organizational basis for central procurement, no longer exists. Now that state and economic organization has been separated and peasants enjoy autonomy in production operations, it will be difficult to induce peasants to accept any fiat that contravenes the law of value and infringes peasant economic interest. And using state power to compel peasants to obey such fiats will have a profound and lasting effect on agricultural production that cannot be overlooked. For the sake of the future of agricultural development, what we must do is not to expand the range of produce subject to contract procurement, much less restore central procurement, but rather carry out reform of central procurement through to the end.

*3. How Can We Increase Socialization, Commercialization, and Cooperatization of Agricultural Production?*

Establishing a social service system and providing service before, during, and after production will enable us effectively to overcome the limitations inherent in dispersed peasant production. As the rural economy commercializes, we must establish a social service system that functions to tie peasants externally to markets and internally to each other so as to resolve the contradiction between scattered peasants and social markets. The massive fluctuation in the output of some produce in recent years is an important cause of the alternating difficulties in selling and buying these produce, which is to say that the lack of this kind of service organization linking production and circulation makes it impossible for peasants to assume market risk. Establishing such a system will also help raise the level of cooperatization and combination of dispersed peasants, root cooperation and combination in social service, and induce peasants, while partaking of various services, willingly and without any compulsion whatsoever to cooperate and join together. Such an approach will blaze a path to cooperatization that fundamentally differs from the traditional administrative, coercive tact.

We can expect that the stagnation and fluctuation in agricultural production will rapidly disappear and that China's rural economy will return to the healthy path to vigorous development so long as we stick to the right direction in theoretical study of rural development, formulate a plan for further reform of the rural economy that is consistent with reality in China, organically combine upholding of the four cardinal principles with reform and opening, and fully effect reform and consolidation.

#### Reform and Opening on the Socialist Road

Lin Ling [2651 0407] (Deputy Director, Sichuan Academy of Social Sciences)

Liaoning University Press recently published a translation of a scholarly Soviet symposium entitled "No Other Choice" and subtitled "The Experience, Lessons, and Future of Socialism." As I read this work, I could not help thinking of Comrade Deng's recent important speeches and deeply felt that they, too, addressed issues about which contemporary China has "no other choice." First, China must follow the socialist road—there is no choice other than this. Second, China must effect reform and opening under the socialist system—here, too, there is no other choice.

With respect to the former, as everyone knows, China's decision to take the socialist road straight out of semi-feudalism and semicolonialism was not determined by the subjective will of any one person but by Chinese historical conditions and by the objective, historical law of development. During the new democratic revolution, Chen Duxiu propounded the "theory of two revolutions," which argued that China must first develop capitalism before moving on to socialist revolution. Experience has shown that this thesis is erroneous. If the party had abandoned its vision of moving from new



democratic revolution to socialist revolution and relinquished its revolutionary leadership, China would immediately have been condemned to rule by the bureaucratic-comprador bourgeoisie and had absolutely no way to escape her semifeudal, semicolonial fate. China has been carrying out socialist development for 40 years now, and her workers have generated tens of billions of yuan in social wealth, creating a great store of public property. To advocate, under this state of affairs, that China return to all-out privatization clearly would represent a historic retreat and cannot work. Only socialism can save China, and only socialism can develop her. Case closed.

Yet history also shows that traditional socialist theory, the rigid socialist model, and hermetic isolation will not enable China to realize socialist modernization. Thus China must reform, open, and effect a revolution of self-improvement in her socialist system; otherwise she has no way out. This is precisely what we have done over the past decade. We established the theories of socialist, planned commodity economy and of the preliminary stage of socialism; created an entirely new form of socialist theoretical guidance; set the strategic objectives for development in three stages and the direction for socialist modernization; implemented multifaceted economic restructuring and reform in other spheres and accumulated much positive and negative experience; effected a multilevel opening to the entire world and enabled China to participate in a wide range of international activities and to play an ever greater role; and greatly developed the productive forces of our society, achieving success that has become the focus of world attention. All of these accomplishments are recorded in the documents of the 13th CPC National Congress, and all are fixed national policy and cannot be shaken. We may have faith that our temporary difficulties can be resolved and that bright promise lies before us so long as we reform and open while sticking to the socialist road.

#### **Conscientiously Summarize Experience and Properly Effect Reform and Opening**

**Fang Gongwen** [2455 1872 3306] (Deputy editor in chief, GUANGMING RIBAO)

China's economic restructuring has been under way for 10 years. Our basic experience in this effort boils down to this: Reform must be rooted in the four cardinal principles. Both of these fundamental points must be grasped, and we cannot keep one grip strong while relaxing the other. Only by preserving the foundation of the nation can we succeed in strengthening the nation.

Well, then, how can we properly reform and open up while upholding the four cardinal principles? I should like to discuss a few ideas on how this might be accomplished.

*1. We must undertake a fundamental appraisal of the road China's reform has traveled over the past decade and ask: Is the direction we have taken right or wrong? Is it success that predominates, or shortcomings and errors? If*

*we do not have a correct understanding of these questions, we will have no starting point from which to advance reform.*

Comrade Deng Xiaoping has given us a correct answer to these questions: "As a fundamental issue, is reform a mistake? No, it is not. How could we have gotten to where we are today without reform? Over the past decade, living standards have improved, and it should be said that we have moved up a step, albeit with inflation and other problems. Nevertheless, we must undertake a full accounting of the achievements of reform." Comrade Deng Xiaoping's fundamental assessment is fully consistent with the actual situation in China's reform and opening over the past decade. I believe that there are the following grounds, at least, for affirming that the direction of our reform and opening efforts has been correct and that tremendous success has been achieved therein. First, the line, general principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee have been correct. Comrade Deng Xiaoping, the chief architect of China's reform and opening effort, raised the issue of upholding the four cardinal principles as long ago as 1979 and has stressed that we grasp both elements thus ensuring that reform and the opening efforts be proceeded correctly. Second, the lines, general principles, and policies since the plenary session have won the support of the whole party and nation, and the success of reform and opening is the result of the mutual effort put forth by the whole party and nation. Third, because the party's lines have been correct, reform and opening have been tremendously successful, so reform and opening should continue to advance from the current foundation, and we absolutely must not change direction and start all over again.

*2. Until such time as they are changed, the policies and measures relating to reform and opening formally decided by the CPC Central Committee and the State Council should resolutely be implemented so as to ensure policy continuity and to avoid big policy swings and economic fluctuation.*

Failure in recent years to provide sufficient opposition to bourgeois liberalization has allowed this ideology to be reflected in the economy by, for example, the advocacy of privatization, the one-sided emphasis on the role of the market mechanism and the complete rejection of planned economy, the repudiation of the guiding role of Marxist theory of political economy and the copying of Western capitalist economic theory, and the like. These views should be criticized, yet such criticism may affect certain policies, such that right and wrong are difficult to distinguish, thereby sowing doubts among policy implementers. For example, having criticized privatization, can we continue pilot tests of shareholding system? And can private enterprises continue to exist and develop? And having criticized the weakening of party leadership, can we continue the factory director responsibility system? Some problems have been raised in our actual work. Since economic work requires continuity, interruption of policy will surely undermine that work. If

policy revision is required, the Central Committee and State Council should effect that revision, and implementing units must not be allowed to make arbitrary changes.

*3. Enhance study of Marxist theory, especially basic theory; criticize bourgeois liberalization; and lay the theoretical groundwork for advancement of reform.*

China's study of Marxist economic theory has made great advances since the 3d Plenary Session of the 11th CPC Central Committee and the restoration of order and return to normality yet has fallen short of actual need in reform, opening, and economic development. Study of important basic theory, such as the concepts of the preliminary stage of socialism and planned commodity economy and the relationship between socialist public ownership and commodity economy, has been sluggish. Although theoretical propositions have been raised for several years, we have failed to organize our forces to focus study on the propositions, and only a handful of scholars are studying the propositions on their own. This state of affairs has produced two consequences. First, weakness in the study of Marxist theory has opened the door to the spread of bourgeois liberalization. For example, the notion of privatization, exaggeration of the spontaneous regulatory effect of markets, the complete rejection of planned regulation, and the like are rampant because they have exploited the vacuum created by the immaturity of our theory on socialist planned market economy. Second is the lack of a solid theoretical foundation for reform and opening. Our nebulous reform objectives and inability to come up with a practical, workable, and general plan for reform are related to our neglect of basic theoretical research.

*4. Reform has been under way for more than 10 years, so we should undertake systematic summarization thereof. Once this is done, we should, so long as we cannot come up with a long-range plan for reform, devise practical and appropriate short-term plans. Policies that have proved ineffective, such as local fiscal lump-sum responsibility system, should be replaced with new ones as quickly as possible.*

Because aggregate social demand vastly outstrips aggregate social supply, inflation is severe, industrial composition is out of kilter, and social distribution is inequitable, the tasks of restoring order to the economy and the economic environment remain formidable, and the pace of reform cannot help but be constrained by these conditions. Yet this is by no means to say that reform must grind to halt and merely means that major reforms will be difficult to initiate in the near future and that reforms facilitating improvement and rectification may still and should be implemented. For example, an important factor contributing to supply-demand imbalance is excessive extrabudgetary capital construction. Besides adopting measures to curtail this investment, we must reform distribution, utilization, and management of extrabudgetary funds. Another example is reform of investment, taxation, interest, and the like, which would

facilitate industrial restructuring and thus should be implemented. And cracking down on and reducing circulatory companies form components of both rectification and reform.

### Expectations of GAIGE

**Zhao Renwei** [6392 0086 0251] (Director, Economics Institute, Chinese Academy of Social Sciences)

Advancement of reform and opening while upholding the four cardinal principles is an important task, and GAIGE, which stands at the forefront of reform and opening, naturally bears unshirkable responsibility and a glorious mission. I should like to discuss some matters I hope GAIGE will accomplish.

First, I hope GAIGE can provide us with a theoretical elucidation of the significance of further reform and opening. Reform and opening constitute a global trend among socialist countries, and China's success in this endeavor has attracted worldwide attention. Only by continuing to follow this trend can we maintain the prestige of and enrich socialism. Nevertheless, when complexity is encountered, people do not clearly understand how to sustain reform and opening. Over the past decade, we have put forward the tasks of reform and opening while at the same time having to restore order and return to normality, namely, pulling the national economy back from the brink of collapse, a predicament engendered by the gang of four. Faced with great complexity, some comrades at the time lumped together and even equated reform with restoration of order and normality and appeared to believe that it was enough to rectify the chaos caused by the gang of four and to enable the economic system of the 1950's to begin functioning normally again. Yet, when all is said and done, reform and restoration of order and normality are not the same thing. If we are to sustain reform and opening, we must not be satisfied with restoration of order and normality. I believe that economic theoreticians have done much useful work in this area, having introduced and studied the theories of comparing and selecting from various different socialist models and thus providing a theoretical basis for differentiating reform with restoration of order and normality. China's national economy confronts new difficulties, and many difficulties are closely related to errors committed in reform. And when you add to this the fact that improvement and rectification require further use of administrative measures, the situation becomes even more complicated and raises new problems for theoreticians. For example, what things are reform errors, and what things should be retained in our reform effort? What things are temporary measures in the improvement and rectification effort, and what things constitute long-range elements of reform? I hope that GAIGE will move to the forefront of theoretical circles and make new contributions in this area.

Second, I hope GAIGE will provide more ideas on how, in terms of practice, we can advance reform and opening. Over the past decade, China has gained much

experience and learned many lessons in reform and opening and drawn on the experience and lessons of many other countries. Summarization and distillation of these experiences and lessons will enable us to reach a new level in reform and opening. For example, reform has lacked adequate comprehensive support measures, and the problem of how to integrate reforms of all types so that they promote each other and not drive each other into retreat has become a major problem that we must resolve in the practice of reform. We urgently need to come up with a new way of combining microeconomic and macroeconomic reform, departmental and regional reform, economic reform and reform in other realms, and the like. Another example is the fact that reform has consistently been accompanied by short-term behavior. Agricultural stagnation, resource destruction, environmental pollution, the lag in education, structural imbalance, and so forth all are related to short-term behavior. How can we transcend the palliative approach and link reforms and developmental measures with long-term results? This is a question we must seriously consider when planning new reform programs, for it affects the long-term interests of the Chinese people and their descendants and tests the quality of our decision-making. Yet another example is the fact that, in reform and opening, we will encounter the problems of how to handle the relationships between material and spiritual civilization and between Eastern and Western culture. Over the past decade, we indeed have been severely buffeted and challenged by Western civilization, and some people really do simplistically and blindly worship foreign cultures and products. The problem of how to deal with this mentality is complicated and requires painstaking effort. At first glance, it would seem that such mentality is a product of opening, but careful analysis shows that the mentality is in reality a negative byproduct of our prolonged hermitic isolation (and the backwardness that isolation has engendered). Thus to overcome this mentality, we must by no means revert to the old path of isolationism but rather persevere in and improve reform and opening. Only an atmosphere and environment of improved reform and opening will enable us to achieve a comprehensive understanding of the strengths and shortcomings of both our own and foreign culture, and only after comparison and analysis of the relative strengths of both cultures can we truly overcome simplistic and blind worship of foreign lifestyle. Here we must be sure to avoid resorting to simplistic measures to deal with problems engendered by simplistic mentality.

I recall that a number of foreign friends, while affirming the tremendous achievements China has made in reform and opening, incisively criticized our reform and opening as being "unselective in terms of theory and overeager for instant success in terms of practice." I believe that if we recognize and properly deal with our problems, we will be able to raise China's reform and opening to a new level on the road to socialism.

#### Footnote

1. Income tax rates currently run as follows: Large and medium state enterprises first pay an income tax of 55 percent and then a retained profit adjustment tax of 10-15 percent. If energy and construction funds are included, the total rate reaches 80 percent. The rate for small state enterprises and collective firms is 10-55 percent, 35 percent for private firms, 33 percent for Sino-foreign joint ventures, and about 30 percent, on average, for foreign companies.

#### Economic Accomplishments

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29 Sep 89 p 3

[Article by Xue Muqiao (5641 2550 2890): "Forty Years of Hard Pioneering Work"]

[Text] This article was originally a special contribution to the 1989 ZHONGGUO JINGJI NIANJIAN [China Economic Yearbook]. The original text was 30,000 characters. With the approval of the author, an abridgment of the article by this paper is carried here with subtitles provided by this paper's editor.

It has been 40 years since the PRC's founding. Under the CPC leadership, the Chinese people have turned an agricultural nation characterized by impoverishment and backwardness into an industrial and agricultural nation with a whole-ranging industrial system through hard work and bitter struggle. Politically, China has developed from a semicolon to an independent power with a decisive position in the world.

New China's accomplishments in national economic development in the 40 years since its founding have been stupendous. Comparing 1988 with 1949, industrial and agricultural output value grew 38-fold, of which, agriculture grew by 4.7 times, light industry grew by 85.6 times, heavy industry grew by 266.9 times. The national steel output was 59.18 million tons in 1988, coal output was 970 million tons, and the output of cotton fabrics was 17.6 billion meters. Its nuclear and space technologies have occupied a certain place in the world. China's output of grain, cotton, fabrics, coal and cement now rank top in the world, and its output of steel and chemical fibers, and volume of electricity generated rank fourth in the world. However, because of its huge population, China remains a medium-level developing nation on per capita basis.

#### Economic Construction Started on the Basis of the Devastation Left Over by Old China

The PRC proclaimed its founding on 1 October 1949. Prior to that, we experienced the 8-year War of Resistance Against Japan and the 4-year War of Liberation. Those 12 years of war brought grave damages to the national economy. The difficulty of difficulties on the eve and early days of the liberation of Mainland China was the disastrous inflation resulting from the 12 years of war. Accompanied by the defeat and retreat of the

Kuomintang (KMT), the paper currency and the gold standard banknotes issued collapsed one after another, with unprecedented price rocketing. On 1 December 1948, we began to issue the renminbi. Because of tremendous military spending, and imbalance between financial income and spending, the volume of paper money issued could be rather great. The price rise rate was much lower than those of the KMT currency and the gold standard banknotes, but still prices continued to rise. In the 12-year inflation, a great number of speculators surfaced, they absorbed idle funds in society with high interest rates to rush to purchase and to corner various categories of materials and equipment to jack up prices, and to contend with state-run commerce for leadership. To stabilize prices, the government rapidly founded state-run commerce and supply and marketing cooperatives to voluminously procure important industrial products and farm produce and to control market supply in a planned way to wage tit-for-tat struggles against the speculating capitalists aside from doing its best to control monetary issue. Balance between financial income and spending was basically achieved in early 1950, when the War of Liberation ended with victory. The government decided to issue national bonds in terms of 300 million yuan to recall part of the currency issued. In March the same year, the government began to dump goods and materials in stock, thus putting the 12-year malign inflation to an end. The suddenly stabilized prices became a world famous miracle at that time.

China's rural economy was on the verge of bankruptcy even prior to the War of Resistance against Japan. In the wake of the 12 years of war, everywhere a scene of devastation met the eye. Because the victories of the Chinese revolutionary wars were scored with bases set up in the rural areas, by taking the road of encircling the cities from the rural areas, agrarian reform was conducted among the peasants in old liberated areas in the North. The agrarian reform in newly liberated areas was universally conducted beginning 1950, relieving the heavy burden on the peasants of a standing of several thousands of years. At the same time, supply and marketing cooperatives, agricultural banks and credit cooperatives were universally set up, and heavy exploitation of feudal merchants and loan sharks was banned. Peasants in various places universally reflected that they could not find a market for various native and special products in the spring of 1950. Soon a solution to that was found by holding urban and rural goods and materials exchange fair in various cities, and encouraging small merchants and peddlers with rewards to conduct exchange of urban and rural commodities; consequently, rural sideline production in every description soon developed. Soon, the rural economy rapidly picked up.

In the urban areas then, the bureaucratic capitalists took all operating funds along with them in their escape, even part of the machinery and equipment was dismantled or damaged. The CPC called on the workers to struggle in protecting factories, and succeeded in maintaining the overwhelming majority of machinery and equipment.

The government confiscated enterprises of bureaucratic capitalism, and transformed them into socialist state-owned economy. Regarding enterprises of the national bourgeoisie, it was announced that their existence would be continued, allowing them a certain extent of development, and a policy would be adopted by which concurrent consideration would be given to public and private interests, and benefit to both labor and capital would be allowed. To find a solution to unemployment, enterprises of both public and private ownership were encouraged to develop production; on the other hand, the unemployed were helped to find jobs to develop small-type commerce and handicrafts. All those problems were basically solved in 2 or 3 years through hard work.

Beginning with winter 1950, China was forced to participate in the War to Resist U.S. Aggression and Aid Korea, with great consumption of its man and money resources. Because of swift development in production and strict practice of economy, we still managed to maintain a balance between income and spending with some surplus, thus stable prices were maintained. The 3d Plenary Session of the CPC 7th Central Committee was convened in June 1950, at which a decision was made that industrial and agricultural production be recovered within 3 years to fight for a fundamental turn for the better in the nation's financial and economic condition. The task was successfully fulfilled in 1952, with the output of overwhelming majority of industrial products and agricultural produce exceeding the prewar (1936) highest level.

The first priority during the First 5-Year Plan was to found the initial base for industrialization. To achieve that, the USSR helped in building 144 (later extended to 156) key construction projects; such projects numbered some 700, including those built with our own efforts.

Generally speaking, the First 5-Year Plan was fulfilled rather smoothly, with all important projects completed as scheduled. Industrial production indexes in the plan were completed a year ahead of schedule, and gross industrial and agricultural output increased with an average annual rate of 18 percent, with the plan overfulfilled. Then, under Premier Zhou Enlai's personal leadership, the formulation of a proposal for the Second 5-Year Plan began.

Aside from large-scope economic construction during the First 5-Year Plan, China basically completed the socialist transformation of agriculture, handicraft industry, and capitalist industry and commerce. In the early days of New China, the individual economy (including individual agriculture and individual industry and commerce) accounted for approximately 90 percent of the entire national economy, of which individual agriculture accounted for 84.5 percent. As a result of the universal founding supply and marketing cooperatives nationwide in 1950, the government kept under control the bulk of raw materials and farm produce, and privately owned enterprises began to accept orders placed

by the state for processing materials or supplying manufactured goods. Increasingly greater number of privately owned enterprises began to accept state investments and turned into joint state-private enterprises. In early 1956, federations of industry and commerce of various places required all privately-owned to become joint state-private enterprises in all trades, and the state would take full responsibility for profits or losses of all rather large-type privately owned enterprises; in return, the original capitalists would obtain a fixed 5 percent annual interest from their original investments. Thus the socialist transformation of privately owned industry and commerce was basically completed, with the exception of small commerce and small handicraft industry, which continued the practice of assuming sole responsibility for profits or losses. At the same time, the cooperative campaign was also basically completed with agriculture and handicraft industry. By the time the First 5-Year Plan was fulfilled, the socialist economy of public ownership consisting of ownership by the whole people and ownership by the collective was dominating. The socialist transformation won a decisive victory.

#### **Forging Ahead Amidst Difficulties Resulting From Subjectivism**

The year 1958 was the initial year of China's Second 5-Year Plan. Because of the rather fast economic development in the preceding 8 consecutive years, the mentality of impatience and rash advance began to swell in the minds of many leading comrades, with high indexes, arbitrary and impracticable directions, proneness to boasting and exaggeration, and "stirring up a wind of communism" continued to escalate. While a "big leap forward" was conducted in economic construction, a "big leap forward" was also unfolded in the socialist transformation of agriculture. The "people's commune" was realized nationwide in October 1958. At that time, every people's commune consisted of hundreds and thousands of peasant households, with production and distribution conducted under the unified arrangements of the commune leadership. Moreover, all peasant households had to get their meals from the public canteen run by the production team, literally "eating from the same big pot." In distribution, supply on a maintenance basis was advocated. The press lauded the advantages of the people's commune being "large in size and collective in nature." Consequently, agricultural production dropped by a large margin. In 1960, the overwhelming majority of peasants had insufficient rations of grain, and suffered from starvation. Meanwhile, in urban areas, grain rationing was also cut back and there was grave shortage in the supply of nonstaple food and cotton fabrics. Thus China entered the "period of 3-year difficulties." Because of the grave cutback in agricultural output in the previous year, light industrial output in 1960 also dropped, and gravely affected market supply. Heavy industry also dropped by a wide margin between 1961 and 1962.

Between January and February 1962, the Central Committee convened an enlarged work conference (namely

the conference with 7,000 participants,) at which Liu Shaoqi delivered a report on behalf of the Central Committee, who acknowledged that the downturn of agricultural production in 3 consecutive years owed not only to natural calamities but also shortcomings and mistakes in our work. It was also acknowledged that many leading comrades had not been modest and meticulous, and had displayed sentiments of arrogance and self-conceit, while they had failed to bring forward the fine tradition of seeking truth from facts. During that period, the system of three-level ownership by the commune, the production brigade and the production team, with the production team as the basic accounting unit was universally adopted in people's communes, public canteens were done away with, and the peasant households restored their habit of preparing their own meals on separate stoves.

The readjustment that began in 1961 was conducted chiefly under Premier Zhou Enlai's leadership. During the 3-year Big Leap Forward, the urban populace of workers and staff members of ownership by the whole people drastically rose from 24.5 million to 50 million; however, an agriculture in a downturn could hardly support such a huge urban population. Premier Zhou Enlai issued the mandate to mobilize 10 million workers and staff members who had just entered the urban areas to go back to the countryside to reinforce the agricultural production front. In the wake of the Work Conference with 7,000 Participants, Liu Shaoqi required the Central Group of Finance and Economy headed by Chen Yun to present a plan for further readjusting the national economy. Chen Yun proposed that the 5 years between 1961 and 1965 be the period of recovery, on the grounds that recovery of agriculture to the 1957 level would take 5 years because of the grave reduction of agricultural output. That met the approval of Liu Zhaoqi and Zhou Enlai. Because Chen Yun was recuperating from illness at that time, the readjustment of the plan was actually formulated and implemented with Premier Zhou Enlai chiefly in charge. It was proposed in the readjusted plan that 100,000 small blast furnaces be dismantled, while the provinces turn out sufficient coal to guarantee the normal production of large blast furnaces. At the same time, the half-built projects in actual suspension, and factories in "small indigenous groups" were to be "dismantled and shut down." On top of that, it was required that 10 million workers and staff members were to be sent back to the rural areas in 1962. The successful fulfillment of those tasks freed the urban and rural economies from an impasse difficulties, and enabled them to gradually return to normal operation.

Finance in the 3-year Great Leap Forward was profits in the book, but actual deficits in the state treasury. The voluminous favorable balance came to naught in the wake of verification. In actuality, deficits in the state treasury were up to approximately 17 billion yuan. Consequently, the amount of currency in circulation rose drastically from 5.28 billion yuan at yearend 1957 to 12.57 billion yuan at yearend 1961, up by 1.4 times in 4

years. What was more, marked inflation surfaced with a downturn in production, and it was very difficult to keep prices stable. To stabilize prices, the government implemented rationing of major consumer goods in 18 categories at fixed prices, then the surplus banknotes lashed at the open markets. Open market prices were more often than not sevenfold or eightfold state planned prices. State rations were kept at minimum volume, the urban population were allowed a per capita 0.1 kg of pork on a monthly basis, an annual ration of 2 meters of cotton fabrics, whereas the rural population got only a per capita annual ration of 1 meter. Surely, such a low volume of rationing could hardly guarantee basic needs for subsistence. Aside from rationing, the state marketed candies and cakes at high prices, opened restaurants charging high prices, which were threefold or fourfold planned prices. With the exception of Beijing, open markets were set up in all urban areas as a supplement to state-owned stores. The state implemented a "high-to-high" and "low-to-low" price policy toward the peasants, namely supplying the peasants with industrial products at original prices when their farm produce was procured at original prices, and supplying them with industrial products at high prices when their farm produce was procured at high prices. Between 1961 and 1964, the state recalled 5 billion yuan of the currency issued by marketing industrial products at high prices. By the end of 1964, the amount of currency in circulation dropped to 8 billion yuan, and prices on the open markets began to fall since 1963, while high-priced commodities marketed in state-owned commerce also fell continuously until all commodities were available without restriction at original prices. Given the 1957 retail price index of commodities be 100 percent, it was 126 percent in 1962, but it dropped to 111 percent in 1963. That was another great victory scored in stabilizing prices since March 1950.

The 3-year Great Leap Forward was a bitter lesson in New China's history. The original capital investment in capital construction in the Second 5-Year Plan was 100 billion yuan, but between 1958 and 1960, the investment came to 100.6 billion yuan (among which the year 1960 accounted for 38.9 billion yuan, with an accumulated rate of 39.6 percent.) The 1961 investment cut back to 12.7 billion yuan, and the 1962 investment was 7.13 billion yuan. The following years then saw a gradual rise in capital construction investments; it was 9.8 billion yuan in 1963, 14.41 billion yuan in 1964, and 17.79 billion yuan in 1965. During this period, gross industrial and agricultural output value increased rapidly despite the small scope in construction. The tasks for readjusting the national economy completed successfully in 1965, and the year 1966 saw rather great development.

At the First Session of the Third National People's Congress (NPC) convened in December 1964, under the marked accomplishments in economic readjustment and the initial thriving of the national economy, Premier Zhou Enlai solemnly announced that it was "imperative to build China into a socialist power with modern

agriculture, industry, defense, science and technology to catch up with and to surpass world advanced levels in a rather short historical period." Regretfully, on 16 May 1966, the so-called "16 May Circular" was issued to proclaim the beginning of the "great cultural revolution," which upset the normal course of socialist construction.

Instigated by such conspirators and careerists as Lin Biao, Jiang Qing and Kang Sheng, red guards consisting of workers and students in Shanghai initiated the "January Storm" and seized power from the municipal party committee and government. In succession, the seizure of power took place in all provinces and cities nationwide as well as all ministries and commissions at Central level. All state organs were paralyzed or in a semiparalyzed state. It was impossible to transmit to lower levels the 1967 annual plan formulated by the State Commission because it was impossible to convene a national work conference on planning. Because of turmoil on a national scale in 1968, the formulation of the annual plan was impossible. At that critical moment, Premier Zhou Enlai personally grasped some personnel of planning and organized a leading group for economic work, to deal with the day-to-day economic control to avoid a total collapse of the national economy. The period of "overall civil war" between 1967 and 1968 saw a marked downturn in agricultural and industrial production, and heavy industry in particular. With the opposition of the Chinese people in 1969, the civil war between mass organizations was halted, with the economy recovered somewhat.

With the high-rate growth of industrial production in consecutive years in the wake of 1969, overheated economic growth resulted from Lin Biao's arbitrary and impractical directions, especially the rash advance in building war industry on various "third fronts" and an overextended capital construction scope. With the bankruptcy of Lin Biao's conspiracy of seizing power, Premier Zhou Enlai proposed to cut back construction scope and production indexes of heavy industry, but the mentality of impatience and rash advance characterized by seeking "more and faster" continued to dominate. Therefore the effects were not ideal. The accumulating rate of the national income in the years between 1970 and 1978 prior to the 3d Plenary Session of the 13th Central Committee was over 30 percent. Industrial production in those years was confused and stopped growing in 1974 because the gang of four initiated the campaign to "repudiate Lin Biao and Confucius, (which was spearheaded against Premier Zhou Enlai.) In 1975, Comrade Deng Xiaoping replaced Premier Zhou Enlai, who fell ill, and the principle of consolidation was proposed, while Comrade Deng Xiaoping issued the call that "it is imperative to make production come up," and industrial production picked up rapidly. Again in 1976, the gang of four started the campaign "to repudiate Deng Xiaoping and to oppose the ill wind of reversing the verdicts of rightist cases" and to mercilessly repudiate the theory that social development results only from productive

forces." Consequently, industrial production was in a stalemate. Premier Zhou Enlai passed away in January 1976. On 28 July the same year, the Tangshan earthquake took place; and in September, Chairman Mao passed away, the whole nation was in utter confusion. The gang of four took advantage of the opportunity to seize power. On 26 October, the Central Committee smashed the gang of four in a single action, and salvaged the national economy from the brink of a total collapse.

### Reinvigoration in Reform and Opening Up

The 3d Plenary Session of the CPC 11th Central Committee convened in December 1978 opened a new historical period in China's economic construction. The greatest feat of that session was to adopt the ideological line of emancipating the minds and seeking truth from facts in the cause of socialist revolution and socialist construction, with the correction of the "leftist line" that dominated all domains over the previous 20 years.

Based on the said political and ideological line, the 3d Plenary Session of the 11th Central Committee formulated a new series of principles and policies on readjustment, reform and opening up to the outside world. Later, the central work conference convened in April 1979 proposed the principle of "readjusting, restructuring, consolidating and improving," with the key on readjusting and restructuring (including opening up). "In view of the grave dislocation in the proportionate relations in the national economy resulted from the 'big leap forward' and the '10 years of turmoil,' priority was given to readjusting to pave the way for restructuring.

With regards to the economic managerial structure, the 3d Plenary Session of the 11th Central Committee criticized the practice of excessive centralization, and decided to expand the decisionmaking power of localities and enterprises; the localities might retain part of their tax revenues, while the enterprises might retain part of their profits for enlarged reproduction. In past practice, the overwhelming majority of fixed asset investments were included in the national plan, investments and construction of localities and enterprises must meet with central sanction. In the wake of the 3d Plenary Session of the 11th Central Committee, the portions of retained taxes and retained profits gradually expanded, and local enterprises might make investments in projects outside the national plan. Such practice greatly roused the enthusiasm of the localities and enterprises for enlarged reproduction. In 1982, the state's extrabudgetary investments in capital construction exceeded the budgetary investments in this area; later, the proportion of extrabudgetary investments continue to expand. The government also encouraged enterprises to conduct renovation and transformation of their equipment. Calculated in fixed assets (including capital construction, renovation and transformation,) the proportion of extrabudgetary investments could be still greater. By 1980, the investments in renovation and transformation of units of ownership by the whole people accounted for one-fourth of the total investment volume, and the

proportion continued to expand. The renovation of transformation of equipment involved small investment with quick effects, and was favorable to improving the technological level of existing enterprises, while accelerating the pace of modernization.

With the thinking of emancipating the minds and seeking truth from facts well planted, the economic managerial structure must acquire a guiding idea favorable to the development of productive forces and improving the people's living standards, and bold explorations were encouraged, while some new ideas, new problems and new approaches continued to surface.

In 1978, the contracted responsibility system with agricultural production was conducted on an experimental basis in the rural areas of Sichuan and Anhui. The peasants' enthusiasm for production markedly rose, which roused the attention of the central authorities. However, such practice was controversial because it was rather difficult to change the thinking of the people's commune "being large in size and having a higher degree of public ownership." The central authorities refrained from making a decision, and allowed such a system to be tested through practice. With eloquent facts, unanimity was gradually reached in the next 2 or 3 years. The implementation of the system of contracted responsibilities on the household basis with remuneration linked to output in the rural areas was a major reform in agriculture. Before 1984, the focus of economic structural reform was actually on agriculture. This reform broke the long-term agricultural stalemate, and played an important role in pushing forward the readjustment of the entire national economy and structural reform, and has been proved to be quite correct. Of course, the system of contracted responsibility with agricultural production still has much room for completion and perfection.

Prior to the 3d Plenary Session of the 11th Central Committee, urban commerce was monopolized by state-owned commercial departments, while the rural commerce was monopolized by supply and marketing cooperatives; factories and peasants were not allowed to market their own products. Such a system was criticized early in 1979, and the government gradually permitted factories to market products outside the procurement of state-owned commerce, and new products transcending the market demand of state planned production. Peasants were allowed to conduct long-distance transport and to market in urban areas such farm, native and special produce that were beyond the procuring capability of supply and marketing cooperatives. Peddlers and cooperatives were allowed to conduct long-distance transport and marketing. With the state-owned, collective and individual commerce coming up together, the urban and rural markets became increasingly brisk with each passing day.

Before 1979, all urban young people awaiting jobs must find jobs with the recommendation of labor departments, and they were not allowed to find jobs on their



own. Consequently, no solution could be found to thousands upon thousands of the unemployed in the urban areas, and the populace of surplus labor in the rural areas could be still greater. Some people proposed that labor departments should not monopolize employment, while unemployed young people should be allowed to find for jobs on their own. Some cities including Beijing experimented on such practice, which the Central Committee officially advocated in 1980. The unemployment issue was then gradually relaxed.

While reform was under way, the policy of opening up to the outside world was pushed forward. Whole-ranging machinery and equipment for 22 large factories and mines were first imported in 1978. In 1980, four special economic zones were set up in Shenzhen, Zhuhai, Shantou, and Xiamen, and special policies were stipulated for Guangdong and Fujian. A few years later, decisions were made to open 14 regions and cities (now extended to 30) to the world, including the Zhu Jiang Delta, the Chang Ziang Delta, Southern Fujian, the Jiaodong Peninsula, the Liaodong Peninsula as well as Shanghai. Today, "three kinds of partially or wholly-owned enterprises" number several tens of thousand, while many factories operate in processing of material provided by foreign clients with marked results. However, because of the lack of complete and perfect economic decrees and a developed market mechanism, the inseparation of government and enterprises, and control by multiple departments, many undue difficulties exist for import investments. The overcoming of these difficulties is possible only with China's gradual in-depth economic structural reform.

In view of the tremendous accomplishments scored in the 5 years since the 3d Plenary Session of the 11th Central Committee, the 3d Plenary Session of the 12th Central Committee was convened in October 1984, at which the "Decision on Economic Structural Reform" was adopted, which pointed out that the tasks for readjusting had basically completed, and the pace for restructuring should be stepped up with the implementation of the entire economic structural reform with cities as the key.

The tasks for readjusting the national economy were basically completed between 1983 and the first six months of 1984, supply of production materials was rather relaxed, with negotiated prices of some production materials (such as coal) going down and gradually approaching negotiated prices, ample supply of consumer goods, and the surfacing of a buyers' market. That was the most favorable time for lifting price control to make the price system gradually approaching rationality. Based on the resolution of the 3d Plenary Session of the 12th Central Committee, the State Council decided to boldly lift control over prices for non-staple food in urban areas, with sound effects. Regretfully, because of the lack of experiences in macrocontrol as referred to in the said decision, the bank lost control over credit loans since the last quarter of 1984, and inflation began. Consequently, the range of price increases exceeded the

original plan, and a price restriction policy was thus implemented in the second half of the year. Price distortion of many commodities, whose prices had been ironed out since control over them was lifted, was revived. Should such phenomenon continue, it would be very unfavorable to establishing the order of socialist commodity economy.

With the sudden expansion of construction fund and consumption fund, the general social demand exceeded general supply, and the commodity supply-demand gap once again widened up seriously. Simultaneously, a super-high growth rate of industrial production surfaced in the first six months of 1985. Such a "super-high growth rate" was to a large extent grounded on importing parts and raw materials with accumulated foreign exchange.

There was some confusion in the minds of the theoretical circles; some people saw growing difficulties in ironing out prices, and advocated the reliance on the "contracted responsibility system to "deepen reform," while bypassing price reform. Then, when they saw that it would be impossible for enterprises to assume sole responsibility for profits and losses and to realize free competition, they proposed the acceleration of price reform by bypassing inflation. In 1987, the volume of banknotes issued increased by only 19.4 percent over the previous year, while it was above 20 percent in 1986 and 1985.) It was expected that prices could have been more stable; instead, prices went up even faster because the inflation rate went up even higher. Moreover, it was impossible to calculate the purchasing power accumulated in previous years when price control was implemented, and the accumulated inflation was not cut back but went the other way around. Consequently, prices soared. Since the State Council made known that price reform would be stepped up in August 1988, citizens started a run on the bank and rushed to purchase various commodities. Then, the market situation grew tense.

To promptly change the market confusion, the 3d Plenary Session of the 13th Central Committee was convened, and the new principle of "improving the economic environment, rectifying the economic order, and deepening reform in an all-around way" was set forth. It was decided that the focus of reform and construction in the next 2 years would be shifted on improving the economic environment and rectifying the economic order, which was in effect a new round of readjustment. This new principle, beyond doubt, was correct and necessary, only it was 2 or 3 years too late, and the difficulties became far greater for readjustment.

In the period of readjustment, we must meet the demand of the economic structural reform, particularly the planning structural reform, to improve, complete and perfect the financial and banking administrative structure, so that they might take up the new task of macrocontrol under an environment of commodity economy. Prior to the 3d Plenary Session of the 11th Central Committee, we implemented unified state control over income and



spending with excessive centralization, and it was necessary to change it into a three-level control, namely, central, locality and enterprise. However, with excessive decentralization in recent years, the central government was void of ample financial resources to guarantee the investment demands in energy resources, communications and transportation, while the localities and enterprises utilized their own funds to invest in repeated processing industry and projects of a nonproduction nature resulting in great waste. To readjust the industrial setup and to improve the economic results of investments, we had to resort to mandatory measures to halt a considerable large portion of irrational construction projects. It is imperative to formulate a unified national strategic planning for economic development to guide localities and enterprises to develop along the line indicated by the state through such economic levers as finance, taxation and the bank's credit loans.

The economic structural reform of socialist countries is a great unprecedented undertaking, which we have explored over the past 10 years, with many experiences and lessons accumulated. Today, it is imperative to amass forces in all domains to early formulate near-term and long-term plans for economic development, while we should draw up an integral and coordinating plan for economic structural reform. With our direction clear and definite, our hope will certainly be realized.

China's economic development was on a rugged road over the past 40 years, with the occurrence of two major setbacks, "the 3-year Great Leap Forward" and "the 10 years of turmoil." In the mid-1950s, China was rather advanced among developing countries. But with mistakes in a 20-year span, it has now lagged behind some newly rising developing countries. The gap between China and these newly developing countries has gradually narrowed, with China rousing itself to catch up with them. Generally speaking, China's economic growth rate is rather fast, but the economic results can be very low because of an ossified economic managerial structure, with a still lower productivity. Consequently, we have failed to relatively improve people's living standards in rather fast economic development. Therefore, it is imperative for us to earnestly sum up the experiences and lessons over the past 40 years to fully tap the tremendous economic potentials to enable China to rapidly develop into a modern, rich and strong nation.

## PROVINCIAL

### Shaanxi Governor Urges Improved Product Mix

*HK0111050889 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 28 Oct 89*

[Text] During a recent inspection to a machinery factory in Xian, Comrade Hou Zongbin said, "How should we look at the market supply at present? Is there an ample supply in the market? No. Taken as a whole, the situation is still characterized by the excess of gross demand over gross supply. Now the masses have deposits and

cash totaling 16 billion yuan, equivalent to the annual retail sales of commodities. There are commodities, and the masses have money to buy. But why is the market weak? As I see it, first, the masses are waiting for a drop in commodity prices. Second, they are seeking better quality and more variety of commodities. Third, some of our factories are poor at adapting themselves to market changes and lag behind the situation, so their products have become unmarketable."

He pointed out that enterprises should pay close attention to the market, which is now weakening. They should work out measures as soon as possible, improve their adaptability, and turn this restrictive factor into an impetus that will help adjust their product mix.

## MINERAL RESOURCES

### Gold Production Increases

*OW0911115289 Beijing XINHUA in English 0208 GMT 9 Nov 89*

[Text] Beijing, November 9 (XINHUA)—China increased its gold output by 40 percent in September and October, compared with the same period last year, or by 11 percent over the previous two months, "CHINA DAILY" reports today.

This signals the possibility that gold production this year may exceed the average annual increase which has run at 10 percent for the last decade.

Shandong Province, China's largest gold producer, had fulfilled 89 percent of the year's production plan by October, the State Gold Administrative Bureau reported.

Gold is important to China, and industrial investment has been increasing. One billion yuan (\$270 million) is expected to go into gold mining as against 900 million yuan (\$243 million) in 1988, according to the bureau.

The central government has raised prices several times in the past 9 years in order to buy more gold.

### Beijing Gold Mine To Be Developed

*OW0311114989 Beijing XINHUA in English 0845 GMT 3 Nov 89*

[Text] Beijing, November 3 (XINHUA)—Beijing plans to exploit its largest gold mine in the suburbs.

The mine, located in Huairou County in northeast Beijing, has an annual production capacity of more than 6,000 ounces.

The gold company of the Beijing Nonferrous Metals Import and Export Corporation and Huirou County will cooperate in exploitation and production.

Preliminary exploration has discovered 2.36 tons of gold reserves at the opencast mine.

After the first phase exploitation, the mine could process 100 tons of gold ore a day. Annual production could be more than 6,000 ounces of gold.

Beijing's annual gold output for the past few years has been more than 4,000 ounces.

## INDUSTRY

### Development of 'Sunset' Industries Urged

OW1411051989 Beijing XINHUA in English  
0154 GMT 14 Nov 89

[Text] Beijing, November 14 (XINHUA)—China's current industrial policy reminds the authorities to be realistic in developing the country's high-technology industry, according to an article in the ECONOMIC RESEARCH JOURNAL.

According to its analysis, it is better for China to concentrate on developing the so-called "sun-set" industries which developed countries are abandoning.

The article said the world is now seeing a new technology revolution and many countries are now changing their industrial structure. Developed countries are competing with each other to develop technology and intelligence-intensive industries.

By comparison, traditional industries such as textiles, steel and iron, ship-building and coal, have become "sun-set" or declining industries. Countries such as the United States, the Federal Republic of Germany, and Japan are trying to cut back on "sun-set" industries or even partially move them out to developing countries, especially to mid-level developing countries.

This is because industries considered "sun-set" to developed countries are actually "pillar industries" to developing countries, said the article.

The idea that China should catch up with developed countries in the fields of high technology sounds exciting but it is divorced from reality because China is held back by its relatively limited financial capacity, low level of science and technology.

The article's view is that China should base itself on transforming modern industries with only limited efforts on following the new technology and revolution in industry.

### Guizhou Auto Industry Develops Vigorously

HK0911094789 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 7 Nov 89

[Text] Yesterday [7 November], a reporter learned from a provincial work meeting on the auto industry in Guiyang that the auto industry of our province has continuously and relatively quickly grown over the past

3 years. By the end of this century, the auto industry will have gradually become a new major industry of our province.

At present, our province has some enterprises run by the systems of machinery, communications, reform through labor, light industry, railroads, postal service, chemical industry, civil affairs, and township and town enterprises, which are engaged in automobile production. With the enterprises under the Guizhou Administrative Bureau of the Ministry of Astronautics Industry, the enterprises under the Guizhou Administrative Bureau of the Ministry of Aeronautics, and local automobile plants as a main body, a production structure is taking shape. There are large, medium-sized, and small enterprises for manufacturing the fundamental types, modifying automobiles, and making accessories, that share the work and cooperate with one another. They are also tending toward the development of groups of enterprises.

Batch process of modern FG/120 automobiles developed by our province itself has been officially carried out and the development of 28 auto accessories provided for the Shanghai (Dangchangla) sedan is shifting to batch process. The auto accessories with the state standard or with the standard of the imported products that are produced by us have amounted to some 1,000 varieties. Nineteen specifications and varieties of automobiles, including the medium-sized Dongfeng Gaoyuan truck, a modern truck with two rows of seats, and a transport automobile for agricultural use, are produced.

## FOREIGN TRADE, INVESTMENT

### Economic Relations With Soviet Union Expanding

90OH0020A Changchun SHEHUI KEXUE  
ZHANXIAN [SOCIAL SCIENCES FRONT] in Chinese  
No 3, 25 Jul 89 pp 17-24, 30

[Article by Liu Xiuyun (0491 4423 0061): "Analysis of the Present State of Northeast China's Economic Relations With the Soviet Union"]

[Text] Since 1982, with the changes in Sino-Soviet relations, relations between the two countries in politics, economics, science and technology, culture, and other areas have further improved and expanded. At the same time, border trade between China's three northeast provinces and the Soviet Far East and Siberia has also prospered daily and made encouraging progress. This border trade is an important part of Sino-Soviet border trade and has far-reaching significance for promoting development of Sino-Soviet economic relations and furthering the prosperity and growth of the economies of the Northeast and even the Asian-Pacific region.

### I. The Present Situation in the Northeast's Economic Ties With the Soviet Union

A. The Scope and Scale of Northeast China's Border Trade With the Soviets Is Constantly Expanding and Both Sides Have Formed a Long-Term and Stable Trade of Substantial Magnitude

While Northeast China has carried on traditional national trade (also called major trade) on the basis of agreements and contracts with the Soviet Union, which have increased year by year, its border trade with neighboring regions of the Soviet Union has also grown rapidly and has entered a new multilevel, multichannel, multiform, and omnidirectional development stage.

Through the common efforts of both sides, on 16 April 1982, the foreign trade ministers of China and the Soviet Union exchanged documents restoring border trade between the two countries and hence Heilongjiang, Inner Mongolian Autonomous Region, Jilin, and Liaoning in Northeast China began local border trade with the Soviet Far East and Siberia (also called minor trade). The scale of border trade between Northeast China and the Soviet Union has increased annually: the volume of trade between 1983 and 1987 reached 353.2 million Swiss francs. In terms of the make-up of products imported and exported, the primary goods imported by China from the Soviet Union are: lumber, steel, pig iron, galvanized iron, cement, chemical fertilizers, sodium carbonate, glass, cars, motorcycles, refrigerators, pianos, cameras, leather, wool, paper pulp, and aquatic products; the primary goods exported to the Soviet Union are: soybeans, corn, shelled peanuts, vegetables, fruit, meat, canned goods, clothing, shoes and hats, woolen blankets, towelling (towels, napkins, bath towels), thermos bottles, recorders, flashlights, batteries, electronic calculators, domestic electric appliances, tableware, teaware, porcelains, and soy sauce. Over 70 percent of the goods imported from the Soviet Union are means of production and raw materials which are in short supply in Northeast China while most of the exports are goods in which the local area dominates. The goods which the two sides import and export are clearly mutually complementary, each importing what they need and exporting what they have in surplus, each taking advantage of their strengths and compensating their weaknesses. In the process of mutual visits and trade talks, the governments and foreign trade agencies of the three northeast provinces fully affirmed the development of bilateral trade relations since 1983, especially the accomplishments of border trade. On the existing foundation, both sides agreed to expand the volume of border trade, increase the variety of goods supplied, and further expand economic trade and science and technology cooperation in a variety of forms. The Soviets agreed to expand the supply of such means of production as raw materials, chemical fertilizers, cement, and liquid petroleum gas; agreed to increase imports of electronics, machinery, construction materials, medical apparatus and instruments, various kinds of equipment and vegetables and fruits, and signed long-term supply contracts for traditional mainstay goods. For example, to establish a long-term stable trade relationship, Heilongjiang foreign trade companies came to an agreement with the Commercial Bureau and Fisheries Consumer Cooperative of the Khabarovsk Border region's Executive Committee. Both sides agreed that each year they would hold

comprehensive or traditional export commodity marketing meetings; Inner Mongolian regions bordering on the Soviet Union also adopted Heilongjiang's method of holding mutual commodity marketing meetings and ordering meetings and hold commodity exhibits annually at Manzhouli and Irkutsk to create favorable conditions, understand the market needs of their counterparts in a timely fashion, and expand the scope and scale of trade.

Since the revival of Sino-Soviet border trade, border trade between Northeast China's Heilongjiang and Inner Mongolia Autonomous Region and the Soviet Union has developed rapidly, the scale has expanded constantly, and the import-export volume has grown steadily. Heilongjiang Province initiated border trade with the Soviet Union in 1957. The volume of import-export border trade in the decade between 1957 and 1967 was only 34.67 million rubles (at the current exchange rate, 54.88 million Swiss francs), but after border trade was restored, in the last five years (1983-1987) the cumulative value of the volume of border trade has exceeded 139 million francs, a 1.6-fold increase over the previous decade. From 1983 to October 1988 the volume of border trade between Heilongjiang and the Soviet Union increased from 15.9 million Swiss francs to 350 million Swiss francs. At the end of 1988, Heilongjiang border trade with the Soviet Union had passed the 600 million Swiss franc mark. In the first half of 1988, the volume of Inner Mongolia's import-export border trade agreements signed with the Soviet Union reached 70 million Swiss francs. At the end of 1988, Inner Mongolia Autonomous Region's border trade with the Soviet Union surpassed 100 million Swiss francs. In 1983, its border trade with the Soviet Union was 2.7 million Swiss francs and in the first half of 1988 alone this amount was exceeded by nearly 25-fold.

With the striking advances made by Heilongjiang and Inner Mongolia Autonomous Region in border trade with the Soviet Union, Jilin, and Liaoning are doing all they can to catch up and have made significant progress in the scope and scale of border trade with the Soviet Union. Before 1987, Jilin had no precedents in its foreign trade history for developing border trade with the Soviet Union; however, during 1987, the year it established border trade relations with the Soviet Union, it signed import-export agreements worth 5.5 million Swiss francs. By the end of 1988, the volume of border trade agreements signed between Jilin and the Soviet Union reached 90 million Swiss francs. Liaoning did not begin border trade with the Soviet Union until May, 1988, but in that year the volume of trade agreements signed with the Soviet Union reached 180 million Swiss francs. Goods imported and exported in Jilin and Liaoning's border trade with the Soviet Union go via the port of Suifenhe in Heilongjiang. In addition, in the autumn of 1988, Changlingzi in Jilin, began border trade with the Soviet port of Khasan. As for Northeast China's volume of border trade with the Soviet Union, it long ago exceeded the highest level in the history of Sino-Soviet border trade.

The scope of border trade begun between Northeast China and the Soviet Union is constantly expanding. In 1983 when China and the Soviet Union revived border trade, on the Soviet side the only districts in the Far East to begin this activity were the Khabarovsk border district, coastal border districts, and Amur Province [1558 Zhou when used with a Russian placename] and Chita Province and the participants on the Chinese side were Heilongjiang and Inner Mongolia Autonomous Region. Currently, the scope of Soviet participation in border trade has expanded with the addition of Irkutsk Province, the Buriat Autonomous Republic, New Siberia Province, and the Altai border region and, on the Chinese side, Jilin and Liaoning have been added. In the past in the Soviet Far East only the Far East Foreign Trade Company and the Liefen [0441 5358] Company had foreign management rights, and both belonged to specialized state companies. Now consumer cooperatives, commercial bureaus, and trade bureaus in Soviet border regions and provinces have foreign management rights and cities and regions subordinate to border regions and provinces can start import-export business through the trade talks of consumer cooperatives, commercial bureaus, and trade bureaus of border regions and provinces and some large- and medium-sized enterprises subordinate to ministries of the Central Government also have foreign management rights. As a region, China's three northeast provinces have authorized direct management rights towards the Soviet Union for a group of cities, county, and enterprises.

The Soviets have maintained a very positive attitude towards expanding corresponding trade links between cities and towns and to developing economic and technological cooperation. Not long ago the Soviets agreed to establish economic trade links between such cities and regions as Tengda [7506 6671], Skvorodinov [Sikewoludingnuo 2448 4430 3087 5012 0002 6179], Shimanovsk [Shima'nuofusike 2457 7456 6179 1133 2448 0344] and Poyarkevo [Poya'erkewo 0980 0068 1422 4430 3087] in Amur Province and such Chinese districts and counties as Daxing'anlin, Mohe, Huma, and Sunke; agreed to open Amurzet [Amu'erjiete 7093 4476 1422 2212 3676] and Dzhailinda [Jialinda 0502 2651 6671] as transit ports with China's Mingshan Town in Mengbei County and Xing'an Village in Mohe County; agreed to make Kumara [1655 3854 2139] and Poyarkevo transshipment points with Hutongzhen, Huhan xian and Qikezhen, Sunkexian in China; also agreed to make Aobuluqiye [1159 1580 7627 1148 5102], Bikin [Bijin 3024 6855], Yiman[0122 2581], and Turiy Rog [Tuliluoge 0956 6849 3157 2706] supplemental transit ports with China's Jiayin County, Raohe, Hulin, Mishan, and other places.

Summing up the above it is clear that currently Northeast China's border trade with the Soviet Union has grown from exploratory and trial stage small-scale barter trade between border towns to a new stage of long-term and stable large-scale trade.

*B. Cooperation and Contacts in Economic Technology and Other Areas Between Northeast China and the Soviet Union Is Constantly Improving.* For the past few years, Sino-Soviet border trade has made it clear to both sides that if they wish to promote bilateral development of cooperative relations in economic technology and other areas, it will be necessary to expand bilateral cooperation and contacts in various areas on the basis of good border trade. To this end, in line with the demands of popular will and the integration of the world economy, both the Chinese and the Soviet sides have adopted a positive attitude. While Northeast China has negotiated and signed contracts with the Soviets for border trade, they have also negotiated and signed agreements on cooperation in science and technology and other areas. In the past few years both sides have adopted the following forms of cooperation: joint ventures, cooperative production, importing materials and samples for processing, technological imports, entrepot trade, compensation trade, engineering contracts, and labor service cooperation. The areas of cooperation include agricultural production and agricultural products processing, lumbering and wood products processing, construction materials production and contracting for construction engineering, agricultural technology exchanges and scientific research cooperation, medicine and public health science and technology and personnel exchanges, visits and exchanges of artists, visits and competitions by athletes, visits and lectures by scholars, visits and personnel exchanges in education.

Nearly one hundred cooperative agreements (including letters of intent and contracts) in economics, technology, and other areas have been signed between the Northeast China and the Soviet Union. The major cooperative projects include the following:

**1. Imports of technology and equipment.** Importing Soviet technology and equipment, Zhalainoerhe in Inner Mongolia operates a 200,000 kW thermoelectric power station which includes a generator generating electricity for China and a generator transmitting power to the Soviet Union.

**2. Cooperative production.** Pressurized thermos bottles are cooperatively produced in Jilin using materials supplied by the Soviets with the Chinese taking care of production, annually supplying the Soviets with 300,000 thermos bottles and 25,000 glass liners.

In Khabarovsk, Heilongjiang and the Soviets jointly fund the operation of a construction materials enterprise producing glazed tile, facade brick, and roofing tiles; and in Vladivostok cooperatively manage a wood components plant and a concrete components plant.

**3. Labor service cooperation.** In 1988, Suifenhe City sent over 80 agricultural workers to Geluojiokuowo [2706 5012 2212 7059 3087] City to plant 40 shang [1010] [1,700 mu] of vegetables; in the future, Heilongjiang will divide up 100 hectares of arable land in Bikin, Aobuluqi

[1159 1580 4151 1142], and Vyazemskiy [Weiyajiemusiji 4850 0068 2212 1191 2448 1015] and organize agricultural workers to carry out vegetable production, with Heilongjiang providing the technology and labor.

Ussuriysk [Wusulisike 3527 5685 6849 2448 0344] joint enterprise is supplying 400 hectares of land and Hunchunshi in Jilin is sending technicians and agricultural workers to set up vegetable production.

At the Bosaitu [3134 6357 0956] State Farm, the Soviets are providing 35 hectares of land while Hunchun City of Jilin Province is arranging for technicians and agricultural workers to plant vegetables and fruits.

Labor provided by Heilongjiang is felling 2.5 million cubic meters of timber in Khabarovsk and is cooperating with the Soviets in managing a processing plant with an annual production capacity of 150,000-250,000 cubic meters of lumber.

Liaoning is providing labor to fell timber (100,000 cubic meters) in the Altai region and building a plywood plant and will produce and manage in cooperation with the Soviets.

**4. Engineering contracts.** The Heilongjiang Construction Startup (Group) Company has contracted for 16 projects in the Soviet Far East with a total construction area of 80,000-100,000 square meters, including guest houses, children's palaces, enterprise buildings, mining area construction, and comprehensive buildings. In October, 1988 the Chinese sent 400 construction workers to the Soviet Union.

Jilin sent specialists and workers to Slavyanka [Silafuyangka 2448 2139 1133 2254 0595] and Zhalubinnuo [2089 7627 3453 6179] under contract for residences and social welfare construction with an area of 150,000 square meters.

Liaoning, Heilongjiang, Jilin and Inner Mongolia Autonomous Region have contracted separately for ship building for the Soviet Union in either the Soviet Union or China and in 1988 Heilongjiang and Liaoning began building ships for the Soviets.

**5. Importing materials and samples for processing importing materials and samples from the Soviet Union.** The Northeast China is making clothing, leather, felt shoes and leather shoes, wallpaper, and food packaging. Jilin has undertaken processing production using Soviet-supplied materials and samples for 20,000 dozen leather gloves, 50,000-70,000 pairs of felt boots, 100,000-150,000 pairs of leather shoes, 100,000 pairs of plastic shoes, 100,000 pig hides, 10,000 cowhides, 160,000-170,000 children's outfits. Heilongjiang and Liaoning have undertaken the task of processing a considerable quantity of clothing and leather shoes.

**6. Medicine and public health.** A 100-150-bed Chinese-style hospital was built in Vladivostok on the coast of the Soviet Union using plans, labor, medical equipment and

with instruments, Chinese medicines and medical personnel supplied by Jilin to use the comprehensive therapeutic techniques of Chinese medicine, primarily acupuncture, to treat various illnesses. In addition, in 1989 they also plan to exchange physicians with the Soviet Union sending physicians to China primarily to study Chinese medicine.

**7. Culture, education, and sport.** Liaoning has signed a contract with the Soviets to build a joint color film center in the Soviet Far East.

Jilin and the Soviets have signed an agreement to hold folk and ethnic art exhibits in each other's countries; to send musicians and artists to visit each other's country; to send advanced language students for study in one another's country; to send athletic teams to each other's country for competitions.

**8. Hydroelectricity.** Heilongjiang and the Soviets have agreed in principle to buy 1 billion kWh of electricity annually from Amur Province before the year 2000 and Jilin also plans to purchase 500 million-1,000 million kWh of electricity from the Soviets each year and both sides are now conducting preliminary discussions.

**9. Tourism.** Heihe City in Heilongjiang has already started one-day tours with the Soviet's Blagoveshchensk [Bulageweishensike 1580 2139 2047 4850 3947 2448 0344] (Hailanpao [3189 5695 3133]) and in the future will start tourist activity between more corresponding cities.

In addition to the above, the provinces and regions of the Northeast will go to the Soviet Union to operate Chinese restaurants, constructed milk manufacturing plants and bean manufacturing plants, plant and process ginseng, and so on. It is not hard to see that the cooperation underway now and in the future in economics, technology, and other areas between the Soviet Far East and Siberia and Northeast China has far exceeded the scope of border trade. Border trade between the two has gone from pure barter trade to comprehensive cooperation in many areas and a new stage which is characterized by many levels, many channels, many forms and all directions has begun.

## II. The Far-Reaching Significance of Economic Links Between the Northeast and the Soviet Union

*A. Promote the Economic Prosperity of Northeast Asia, Promote the Development of the Economy of the Asian-Pacific Region*

In today's world, internationalization of countries' economic development and regional integration has become an enormous high tide. The current economic interaction between Northeast China and the Soviet Far East and Siberia is a concrete manifestation of this. Cooperation between Northeast China and the Soviet Far East and Siberia in border trade, economic technology, and other areas will play a role as a link and a bridge in the

prosperity of the economies of the Northeast and the development of the economies of the Asian-Pacific region.

The Northeast China economic region is situated in the central zone of Northeast Asia; it is closest to the surrounding countries and regions: to the northeast it borders on the Soviet Far East and Siberia, to the west it is joined with the eastern part of the Mongolian People's Republic, the southeast part looks over the sea to Japan, and it is contiguous with the Korean Peninsula. The scope of the border trade developed by Northeast China with the Soviet Far East and Siberia can extend from the Soviet Far East and Siberian region to the European part of the Soviet Union, and to Eastern Europe and other countries; can extend from Heilongjiang and Inner Mongolia Autonomous Region to Jilin, Liaoning and other provinces and cities in the hinterland and even can extend to the countries and regions of Southeast Asia.

Northeast Asia developed late and is a relatively backward region in the Asian-Pacific circle, but this region has abundant natural resources and is a region in the Asian-Pacific Circle with great economic potential. Its development and growth is bound to have a far-reaching impact on the development of the Asian-Pacific economy. The Northeast's border trade with the Soviet Far East and Siberia occupies a very important place in Sino-Soviet border trade, its growth is bound to attract the manpower, materiel, and finances of the abovementioned countries and regions to this central zone: Japanese capital and technology; South Korean technology and labor force; and the Democratic People's Republic of Korea labor force. They can obtain some of the resources they need to develop their own economies by participating in the development of Northeast China and the Soviet Far East and Siberia. In this way, the countries and regions of Northeast Asia can develop on the basis of mutual benefit and thus stimulate the economy of Northeast Asia so that it becomes a developed region in the Asian-Pacific Economic Circle.

The further growth of border trade between Northeast China and the Soviet Far East and Siberia will spur on the growth of the Asian-Pacific region's economy.

Northeast China's economic trade with Japan, the Korean peninsula, Southeast Asia and the countries of the Pacific Rim is only through the seaport of Dalian; the Soviet Union's economic contacts with these countries are also only through three seaports, thus mutual economic trade activity is very limited. However, through the international continental bridge built by border trade activities between the Northeast China, the Far East, and the Siberian area, trade channels of economic interchange among the Northeast China, the Far East, and the Siberia area and the abovementioned countries are greatly increased and thereby shortening the shipping distances on these avenues. The eastern part of this international continental bridge to the Far Eastern region can extend to Kamchatka, and link up with Alaska in the United States across the Bering Straits.

Thus, the goods of the countries on the eastern rim of the Pacific Ocean can reach directly to Canada, the United States, Mexico, and the countries of South America by means of the international continental bridge and avoid getting involved in the deep sea shipping. The economies of the Pacific Rim countries can be invigorated through this international continental bridge and hence promote the development of economic and trade relations of the Asian-Pacific region.

### *B. Changing the Irrational Distribution of Productive Forces of the Asian-Pacific Region*

Currently, the irrational distribution of productive forces within the Asian-Pacific economic circle is an important factor restricting the further development of this region's economy.

Apart from the United States, in economic development the other countries and regions within the Asian-Pacific economic circle face the fact that the factors of productive forces are incomplete and irrationally distributed: Japan—a major capitalist economy—has advanced technology and excess capital, but is short of resources; “the Four Little Dragons of Asia” (Hong Kong, Taiwan, South Korea, and Singapore)—economic development is rapid and they have entered the ranks of the developed countries, but they face the threat of shortages of fuel and mineral resources; the mass of developing countries, including China, have rich natural resources to varying degrees and abundant labor, but are technologically backward, short of capital, and economic development is slow; the Soviet Far East and the Siberian region have abundant natural resources, but lack capital, technology, and labor.

The border trade developed between Northeast China and the Soviet Far East and the Siberian region will have a positive influence in changing the current situation in the abovementioned countries and regions: not only will it accelerate development of the economies of Northeast China and the Soviet Far East and the Siberian region but also this regional development and construction is bound to attract advanced technology and idle capital within the Asian-Pacific economic circle so that it can be reasonably integrated with the resources of these regions; the development of the economies of Northeast China, the Soviet Far East, and the Siberian region naturally will bring about changes in the export mix from single commodity exports to simultaneous export of goods, technology, capital, and labor and this is bound to improve the irrational distribution of productive forces in many countries in the Asian-Pacific economic circle to make them more sensible.

### **III. Analysis of the Present State of Economic Links Between the Northeast and the Soviet Union**

Currently the state of the economic links between the three northeast provinces and the Soviet Union is improving. There are many favorable conditions for the two sides to develop border trade and cooperate in a variety of areas and there is great potential for further

growth and the prospects are vast. In particular, in the light of the further improvements in relations between the two countries, the economic links between the three northeast provinces and the Soviet Union will definitely improve and border trade and cooperation in a variety of areas are bound to develop substantially. However, we must note some developing difficulties and unfavorable elements and should think of ways to resolve them.

#### *A. Opportunity, Favorable Position*

"Opportunity" refers to policy and favorable circumstances. In 1988, the state further expanded economic trade policy with the Soviet Union and Eastern Europe. In April, 1988 the state approved a six-point favorable policy enjoyed by Heilongjiang with regard to border trade with the Soviet Union; in May of that year, relevant State Council documents approved development of economic activity of several provinces with the Soviet Union and the countries of Eastern Europe directly and shifted the right of examination and approval for developing economic trade activity with the Soviet Union down to the provincial and municipal level. In the wake of this and in the spirit of the relevant State Council documents, in May, 1988, Heilongjiang Province transmitted to lower levels corresponding documents in the name of the provincial government. The implementation of the economic development program for the Soviet Far East and the acceleration of the pace of reform of the Soviet economic system provided excellent conditions and opportunities for bilateral economic trade cooperation. The Soviet Far East and the Siberian region are situated east of the Ural Mountains and resources are abundant (making up about two-thirds of those of the Soviet Union), but labor is in short supply. However, abundant labor resources is where Northeast China region dominates and thus developing labor cooperation has plenty of scope for development. In addition, the Soviet Union is accelerating reform of the economic system and in theory, the Soviet Union has a new understanding of expanding foreign economic trade work, which, according to the viewpoint of Gorbachev's reform and his perestroika, holds that developing foreign trade is an important part of developing the national economy and a powerful accelerator for speeding up scientific and technological progress. Therefore, the Soviet Union proposed actively participating in international division of labor and maintaining a positive attitude towards developing foreign trade ties. In practice, the pace of Soviet foreign economic trade system reform is very fast: the Soviet Union has decided that all the goods exported to China should be free of customs duties; import-export procedures have been simplified, Chinese economic trade personnel need only hold a passport to move back and forth across the border, the provincial executive committee has the right to issue visas without asking Moscow, and if special circumstances are encountered, the border inspection department can provide assistance. It is not hard to see that the Soviet Union is shifting from centralized authority to decentralized authority, from management by administrative measures towards management by economic

measures. This has provided favorable conditions for economic trade cooperation on both sides.

It is reported elsewhere that the Soviet Union has decided to build an economic technology development zone in the Far East and plans to create a "comprehensive commercial center," including export processing and free trade areas, in the region where China, the Soviet Union and Korea meet, and wants to give this commercial center the position of the "Hong Kong of the Soviet Far East." Needless to say, this is an extremely opportune time for the provinces and regions of the Northeast to develop economic trade with the Soviet Union.

In terms of geography, the borderline where the Northeast and the Soviet Union come into contact is over 4,000 km long, the Chinese cities and xian which border on the Soviet Union radiate outward toward a vast area of approximately 12.77 million square kilometers of the Soviet Far East and Siberia (about 50 percent of the entire Soviet area) and over 30 million people (11 percent of the total Soviet population). In terms of distribution of cities and towns, in the Northeast it is concentrated, while on the Soviet side it is scattered and this is favorable for the outward expansion of the many channels of the Northeast's provinces and regions. Although Liaoning has no immediate border with the Soviet Union, land and water communications with the Soviet Union are rather convenient.

In terms of transportation, the railways of the Northeast crisscross, the highways are like a spiderweb, rivers and seas have excellent channels, interior rivers link up with rivers on the Soviet border, and there is enormous potential for water transport. The shipping network of railway, highway, water, and air facilities is favorable to development of economic trade activity with the Soviet Union in any direction. In the Soviet Far East and the Siberian region, which neighbor on Northeast China, there is the 7,416 km east-west Trans-Siberian Railway which begins in the west in the Urals and goes east to Vladivostok and the 4,275 km Beijiaer [6296 0502 1422]—Amur Railway which begins in the west at Wusijikute [3527 2448 1323 1655 3676] and goes east to Gongqingcheng [0364 7230 1004], and there is also the 400 km branch line which connects with the Beijiaer-Amur Railway and the Trans-Siberian trunk line and extends to Bie'erjite [0446 1422 1015 3676]. The Harbin-Suifenhe, Harbin-Manzhouli, and Ji-Er [7162 0059] lines in Northeast China also can connect with the above mentioned railways inside Soviet borders. Since 1980, China and the Soviet Union have developed a trans-border shipping industry across the Siberian continental bridge and the Northeast provinces and regions have utilized the quick and convenient Soviet shipping line to do business in the Western part of the Soviet Union as well as enter Eastern European markets. Dalian port on the Liaodong Peninsula has all along maintained a shipping relationship with Vladivostok in the Soviet Far East. Jilin Province can ship to Poxiete [3134 6200 3676] and ports in the Soviet Far East through outlets to



the sea on the Tumen River. In terms of geography and communications, one could say that the conditions of the Northeast's provinces and regions for developing economic trade with the Soviet Union are favorable.

### *B. Complement and Mutual Benefit*

The complementary economic structures of the three Northeast provinces and the Soviet Far East and the Siberian region are determined on the foundation of development of bilateral economic trade and long-term cooperation.

The Soviet Far East and the Siberian region are vast but sparsely populated, natural resources are abundant and the heavy industry foundation is strong; forestry, mining, electric power, petroleum and natural gas, and fisheries have grown rapidly; fuel power, lumber, chemical industry products, mine products, marine products and raw materials are the region's strong points. However, the influence of natural conditions, labor resources and technological conditions have made it so that market supply, especially the relatively short supply of agricultural sideline products, light industry and textile products, foods, and daily necessities, in the Far East and Siberia which are cold and far from the European part of the Soviet Union cannot satisfy the needs of the local residents. According to a Soviet estimate, in the eighties it will be necessary to import annually from other regions 1.8-2.0 million tons of vegetables and melons, 2.9-3.2 million tons of fruit, 90-150 thousand tons of edible sugars, 20-50 thousand tons of vegetable oils, and the shortage of agricultural sideline products is over 50 percent. There is an annual shortage of 8-15 million meters of wool and cotton and 4 million pairs of leather shoes. The supply of articles of everyday use cannot meet demand: the annual purchasing ability for manufactured goods for daily use amounts to 43.9-77.5 billion renminbi. The income of the residents of this region is high (the ordinary person has an average monthly income of 200-300 rubles, which converts to approximately 1,200-1,800 renminbi), purchasing power is strong, and there is great potential in the consumer market. The goods needed by the Soviet Far East and the Siberian region are exactly those things in which the provinces and regions of Northeast China are strong: Chinese grain and oil, fruits and vegetables, meat, light industrial and textile products, clothing, shoes and hats, and articles for daily use are goods in short supply on the Soviet side and are also goods that have been very welcome among Soviet consumers; similarly, the goods needed by the provinces and regions of the Northeast can be supplied by the Soviet side. The Soviet Far East and the Siberian region are very short of labor but China's labor resources are abundant and some of the technology of Northeast China that is needed by the Soviets can be satisfied through various forms of cooperation. The complementary structure of the economic trade between the three Northeast provinces and the Soviet Far East and the Siberian region that has taken shape over history is favorable for the mutually beneficial development of the region's economy by both sides.

Border trade is highly regarded by the Soviets because it has spurred and promoted growth in the Soviet border regions. The Soviet government is now about to grant foreign trade rights to the border region and has drafted certain preferential policies that adopt a positive attitude and practical measures to promote the growth of border trade. The Soviet government urgently hopes through border trade to accelerate prosperity and growth in other areas of the economy and constantly satisfy the needs of people's daily lives. The Soviet Far East and the Siberian region developed late and lacks advanced technology and labor power. It currently also is unable to convert its resource advantage into economic advantage in a short time. Their goods, from quality to packaging, are still not exportable to capitalist countries, but through border trade they can absorb their own goods and satisfy their needs. Furthermore, people on both sides are accustomed to consuming goods from the other side and at the same time, the trade contacts of the past few years have established an excellent reputation in the markets of Soviet Far East and the Siberian region for goods from the provinces and regions of the Northeast. Sino-Soviet border trade in recent years has similarly brought substantial benefits to Northeast China: the lumber, chemical fertilizers, steel, cement, pulp, caustic soda, and glass the Chinese have imported through border trade has ameliorated the demand for these goods in the Northeast and helped construction and social development in the Northeast. Thus, it could be said that the border trade with the Soviet Far East and Siberia carried out by the three Northeast provinces is mutually beneficial and mutually profitable, mutually complementary, and mutually promoting.

### *C. Competition and Difficulties*

1. Market competition is fierce in the early period in 1983 when China and the Soviet Union revived border trade, it first began in the Soviet Far East with the Khabarovsk border region, the coastal region, Amur Province, and Chita Province participating on the Soviet side and Heilongjiang and Inner Mongolia Autonomous Region participating on the Chinese side.

In 1986 the Soviet Union's Kazakhstan, the Russian Federated Republic, and several republics in Central Asia began border trade with China's Xinjiang.

Since 1987, The Soviet Union's New Siberia, Altai border region, Irkutsk Province, the Buriat Autonomous Republic, Sakhalin Province have commenced border trade with Jilin Province, Liaoning Province and some provinces and cities in the interior of China.

There are over 200 enterprises and companies (188 in Heilongjiang, 23 in Jilin, 33 in Liaoning, and one in Inner Mongolia) in the three northeast provinces that enjoy the right to engage in foreign trade with the Soviet Union directly. The numerous windows all face the Soviet Union providing the Soviets with a buyer's market so that they can select their trading partners from among opponents who are bullish on competition and at

the same time provide the Chinese with opportunities for competition. Competition in the Soviet Far East and Siberian markets, especially the former, is currently very fierce and in the future is bound to become fiercer, because some 57 countries, including the countries of Eastern Europe, Japan, the United States, South Korea, Australia, and Singapore, have entered the Soviet Far Eastern market. Japan alone has 20 trading companies, and sends a large quantity of consumer goods to the Far Eastern market annually, in addition, South Korea, Vietnam, and Cuba also are engaged in labor cooperation and joint venture production. After China relaxed trade policy with the Soviet Union, the interior and coastal provinces and cities also made contacts with the Soviets hoping to enter the Soviet Far Eastern market as quickly as possible. As a member of a Soviet Far Eastern foreign trade company said, every day they receive several hundred letters requesting the establishment of trade relations with the Soviets so that it is impossible to answer them all. As a result, sometimes customers and trading partners are stolen.

2. Commodity pricing is chaotic in the process of the provinces and regions of the Northeast developing border trade with the Soviet Union, many times there occurred the problem of a great disparity between prices for a product of the same brand and from the same category. Take radios for example: there was one price for national trade, there was another price for border trade, there was one price for Inner Mongolia Autonomous Region and another price for Heilongjiang Province. As a result, it gave the Soviets the wrong impression and impacted concluding transactions.

3. Regarding transport saturation among Heilongjiang's current trading ports with the Soviets, the Harbin-Suifenhe is the only rail shipment line; it was designed to carry 3 million tons, but now the freight volume is 1.2-1.5 million tons, while the annual freight volume of state trade is about 1 million tons. In the first half of this year Heilongjiang signed contracts with the Soviets for border trade volume worth 250 million Swiss francs, approximately 1 million tons of goods, and with the addition of Jilin, Liaoning, and provinces in the interior, the total volume goods crossing the border as part of border trade with the Soviet Union is constantly increasing; it will exceed 3 million tons and is bound to cause overloading. Even so, even if this line ships goods without exceeding the load, due to border trade goods still not being able completely to become part of the state railway shipping plan, there is no way to guarantee that the goods will be shipped. Similarly, the abovementioned problems also exists at the Inner Mongolia's Manzhouli port.

At the same time, the loading and unloading capacity of the other side is also limited: for example loaded freight cars are a serious problem at the Geluojiekuowo station. This is opposite of the Suifenhe station, where almost every day there are 300-400 freight cars which cannot be unloaded.

Railway transport is an important restrictive factor in developing trade with the Soviet Union and Eastern European countries, especially developing Sino-Soviet border trade. In 1988, although the provinces and regions of the Northeast had signed contracts with the Soviets for a large quantity of goods, it was hard to fulfill them because transportation could not keep up. For example, in 1988 Liaoning signed a border trade contract with the Soviets worth 180 million Swiss francs, but because they could not resolve the shipping problem only 30 million Swiss francs of the contract was fulfilled. Or, in March 1988, a Harbin foreign trade company signed a contract with a border trade company in the Soviet Far East to supply 500 tons of citrus, but since domestic shipping was tight, the citrus could not be loaded onto the trains and the problem of railway cars was not resolved until the end of May. By then the source of citrus became a problem and they finally had to go abroad to find the a source for the goods, and in order to maintain their reputation had to lose money on the transaction. After China liberalized the policy of border trade with the Soviets, the number of highway cargo ports were added, which played a definite role in distribution, but up to now railway shipping is still an important means of transport.

4. A shortage of talented people exists. The 200 or more enterprises and companies in the three northeastern provinces, which by 1988 had been granted the right to engage in foreign trade business, require a large group of specialized cadres who are both familiar with the foreign trade business and are proficient in foreign languages, especially Russian. In addition, the organizations necessary for the newly opened ports require a large number of specialists; conducting various forms of cooperation with the Soviet Union also requires provisions for Russian translations. Because we have ignored the training of Russian language specialists for many years, we now have a temporary shortage of Russian language specialists and it will be difficult to train the large number of competent cadres proficient in Russian which are needed as described above. In recent years, in the process of our contacts with the Soviets, we have discovered that most of the cadres in the Soviet Union who are engaged in foreign economic trade work are of good quality, their knowledge of foreign trade and the professional abilities are good, and by comparison, the quality, ability, knowledge of foreign trade and level of foreign languages of our foreign economic trade cadres must be improved as quickly as possible, otherwise it will be difficult to satisfy and adapt to the needs of economic trade linkages with the Soviet Union, the countries of Eastern Europe and other contacts.

#### *D. Tentative Plans and Proposals*

Since disappointing factors and factors which restrict the growth of border trade continue to exist in Northeast China's border trade with the Soviet Union and other contacts, I suggest we might resolve them in the following ways:

1. Reorganize foreign trade companies to avoid interne-cine competition. Up to the end of 1988, over 200 enterprises and companies in three northeast provinces had been granted the right to engage in foreign trade business; the companies have proliferated and most are engaged in foreign trade, thus, stealing customers occasionally occurs, and interne-cine competition is constantly appearing. To avoid recurrences of the above situation we might reorganize those enterprises and companies that clearly have no ability to engage in foreign trade and thereby achieving "survival of the fittest." At the same time, we might also consider establishing an enterprise group company to coordinate foreign trade.

2. Coordinate prices of goods to prevent the profit from outflowing. Because many companies are swarming like bees and are eager to find customers in the Soviet Union and the Eastern European countries and to establish trade relations, the lack of uniformity in quoted prices for some goods in different locations has emerged: prices of exports are cut, prices of imports are raised, they struggle between each other for center stage, so that the profit is getting away. To prevent the reappearance of similar problems, shared information in pricing is very necessary. For this we might consider establishing a trade association that has control of the dynamics of domestic and foreign pricing using a computer to manage pricing. Foreign trade companies must report negotiated prices promptly for input into the computer and then the association would draw up and issue periodic bulletins on the upper and lower limits of the negotiated prices; the association should adopt sanctions against those to violate the pricing. Before such a trade association having this kind of authority is established, the corresponding organizations of the foreign trade departments in the Northeast should be duty-bound to undertake price coordination work.

3. Open multiple channels to eliminate saturation of transport. Currently, the goods that cross the border to the Soviet Union and the countries of Eastern Europe are concentrated primarily in the ports of Suifenhe and Manzhouli, and the shipping capacity of the Harbin-Suifenhe and Harbin-Manzhouli lines is already saturated. We should fully utilize other land and sea ports inside the Northeast to distribute outbound goods rapidly. For a variety of reasons eleven ports inside the Northeast to the Soviet Union are still not being fully utilized, and we should think of ways to have them play a role in distribution as quickly as possible. Concurrently, we should fully utilize the rivers within the Northeast: goods exchanged between the two countries could be shipped on Sino-Soviet border rivers such as the Heilong Jiang, Ussuri River, Nun Jiang, Songhua Jiang, Tumen Jiang and Liao He, furthermore, shipping costs are low and in winter goods could be shipped on the ice. If funds permit, it would be best if such important border towns in the Northeast, such as Tumen, Huichun, Dongning, Suifenhe, Mujiao, Gedong, Mishan, Hulin, Shaohe, and Wuyun could be linked by railways and

linked to the north with Jiamusi, to the south with Dandong and Dalian. Like an arterial network this is bound to play an invaluable role in carrying out the daily increasing national and border trade and at the same time is bound to promote the prosperity and growth of the economy of the entire Northeast.

4. Training various types of personnel and improving quality of personnel. It would seem that providing the trained personnel required by the development of trade with the Soviet Union and the countries of Eastern Europe could be managed through the following measures: 1) Start a college someplace in the Northeast for specialized training of cadres engaged in foreign trade and in a planned way through systematic education train various types of trained personnel needed for the administration of foreign trade; if it is difficult to arrange for funds to operate a conventional school, then we can use the existing instructional facilities and faculty of a university or college to realize this ambition. 2) Train cadres currently engaged in administration of foreign trade with the Soviet Union and Eastern Europe in a planned way through a cadre rotation training method to ensure that they are qualified for their current work. 3) Provide education on the profession, foreign language and general knowledge of foreign trade administration to worker personnel going abroad through short-term training courses and training classes in order to improve their quality.

If the above ideas can be realized the economic and social benefits of trade between Northeast China and the Soviet Union and the countries of Eastern Europe and Sino-Soviet border trade may move to a higher level.

#### **Shanghai Becomes Leader in Technical Exports**

*OW1211212289 Beijing XINHUA in English  
0841 GMT 11 Nov 89*

[Text] Beijing, November 11 (XINHUA)—Shanghai's exports of technical products and technology are the greatest in China, says INTERNATIONAL BUSINESS.

The Beijing-based newspaper reports that Shanghai has speeded up the pace of such exporting since 1983 when it concluded its first contract on the export of technical goods and technology with Romania.

Shanghai signed a total of 133 such contracts, involving \$186 million between 1983 and June 1989.

The paper says Shanghai's technical exports cover about 20 fields, including textile and light industrial machinery and equipment for the chemical industry, and are distributed to more than 30 countries and regions.

Shanghai is to focus on the export of industrial techniques by setting up business groups that will combine science, industry and trade.

## TRANSPORTATION

### More Freight, Fewer Passengers Transported

*OW081113048 9 Beijing XINHUA in English  
1224 GMT 8 Nov 89*

[Text] Beijing, November 8 (XINHUA)—More than 676 million tons of freight and 1,407 million passengers were moved during the third quarter this year, according to the latest statistics from the State Statistical Bureau.

The volume of freight transported has gone up while the number of passengers fell by 4.2 percent compared to the same period last year.

During the third quarter, Chinese railways delivered 376 million tons of freight, a 4.2 percent increase over the same period last year.

The number of passengers moved by Chinese railways has been decreasing. The flood of passengers that had been troubling Chinese railways and airlines has ebbed, making travel more comfortable and convenient.

### Jinzhou Port Opens To Navigation

*OW0711030889 Beijing XINHUA in English  
0158 GMT 7 Nov 89*

[Text] Shenyang, November 7 (XINHUA)—Jinzhou Port, in Bohai Gulf, opened to navigation recently.

Construction of the port, which is 35 km from Jinzhou, a major industrial city in northeast China, and 763 nautical miles from Nagasaki in Japan, started in October 1986.

The completed first phase includes a 10,000 dwt berth handling sundry goods and an oil berth.

By 1995, four other berths with a combined handling capacity of 4.9 million tons will be completed.

### Nanjing Passenger Ticket Price Increase Eases Pressure

*40060014A Nanjing XINHUA RIBAO in Chinese  
15 Oct 89 p 2*

[Editorial Report] Nanjing XINHUA RIBAO in Chinese on 15 October 1989 carries on page 2 a 1,000-word article by Wang Qiang (3769 1730) entitled "In the Wake of the Passenger Ticket Price Adjustment" describing the situation in Nanjing after the price adjustment for all passenger transport went into effect nationwide on 5 September. The article notes that it has been one month since the passenger ticket price increase and that there have been no problems at Nanjing ticket windows nor any quarrels or disturbances between passengers and transportation department personnel.

However, the article does mention that passenger traffic has clearly declined. Trains originating from Nanjing West station carried 27-30 percent fewer passengers daily during

September than in the same period last year. Carriages were less crowded, especially on short-distance trains, where ridership was only 60-70 percent of capacity. The number of passengers embarking from Nanjing port each month, which averaged 160,000 before the price increase, fell to 127,000, a decrease of 21 percent. The occupancy rate on planes departing Nanjing Airport averaged only 80-90 percent of capacity. Since there are now basically enough tickets to meet demand, ticket dealers no longer have the ability to "stir up trouble" and have left the market.

Problems do still exist, however. Because there are fewer passengers, planes and trains are operating at lower occupancy rates, and resources are being wasted. One person remarked that, rather than needlessly squandering transport resources, it would be better to reduce the ticket prices currently in effect, meeting the needs of passengers and reducing enterprises' deficits at the same time.

The article also notes that real earnings of civil aviation, railroad, and port offices did not increase much, and earnings in some offices actually decreased. After steamer ticket prices increased, service agent fee receipts rose by more than 50,000 yuan. But because traffic fell by 30,000 passengers, earnings fell by more than 16,000 yuan when calculated according to old ticket prices. In addition, service fee earnings fell in direct proportion to the decreased passenger traffic. Thus, after offsetting increases against decreases, earnings only increased by 20,000 yuan, an average of slightly over 1 yuan for each worker in the port. In the Nanjing branch of the railroad department, September earnings fell by more than 1.48 million yuan.

Finally, the article points out that while passengers are paying more money, railroad personnel's quality of service has not improved. Since passenger traffic decreased, the fees charged for late ticket purchases and for overweight luggage have disappeared, reducing the average railroad worker's income by over 20 yuan in September. This has "affected their enthusiasm for work." Some workers only concern themselves with opening and closing carriage doors, and do not bother with anything else. A few workers peddle books, food, and other items in order to increase their income.

## AGRICULTURE

### Japanese Help Develop New Rice Strains

*OW0310072289 Beijing XINHUA in English  
0156 GMT 3 Oct 89*

[Text] Kunming, October 3 (XINHUA)—Chinese and Japanese scientists have developed three new paddy rice strains after four years' joint efforts.

The new strains, called Hexi-4, Hexi-5 and Hexi-10, passed state scientific appraisal recently in southwest China's Yunnan Province.

The new strains are resistant to low temperature and disease and of high quality and high yield.

The joint research began in late 1982 under a cooperation project on agro-technique between the two governments in Yunnan, where rice species resources are abundant.

The research aims at overcoming two major problems in rice production—disease and cold wave—in both countries.

The Hexi 4 and 10 paddy rice are suitable for climate at high land and mountains at altitude of 1,700 to 2,000 meters above sea level. In addition, the new strain ripens in mid or late July, thus avoiding the region's frigid period beginning in August.

Experiment on 5,300 hectares of rice fields in Sichuan, Yunnan and Guizhou Provinces showed the per hectare output of the new strains averaged 7,500 kg, 750-1,500 kg more than that of other strains.

Since 1982, the Chinese and Japanese developed a total of 23 new rice strains.

The provincial government of Yunnan has decided to grow the new strains on 66,000 hectares next year.

**Table Depicts Number, Capacity of Reservoirs**  
40060008E Beijing ZHONGGUO SHUILI [CHINA  
WATER RESOURCES] in Chinese 15 Oct 89 p 9

[Text]

**Water Resources in China**

Year	Number (10,000)	Capacity (100 million m <sup>3</sup> )	Of Which:			
			Large Reservoirs		Medium Reservoirs	
			No.	Capacity (100 million m <sup>3</sup> )	Number	Capacity (100 million m <sup>3</sup> )
1975	7.37	3,624	300	2,667	1,982	504
1976	7.85	3,888	304	2,879	2,057	531
1977	8.15	3,948	308	2,887	2,129	558
1978	8.46	4,012	311	2,896	2,205	585
1979	8.61	4,081	319	2,945	2,252	593
1980	8.68	4,130	326	2,975	2,298	605
1981	8.69	4,169	328	2,989	2,333	622
1982	8.69	4,188	331	2,994	2,353	632
1983	8.66	4,208	335	3,007	2,367	640
1984	8.50	4,292	338	3,068	2,387	658
1985	8.32	4,301	340	3,076	2,401	661
1986	8.27	4,432	350	3,199	2,415	666
1987	8.28	4,475	353	3,233	2,428	672
1988	8.29	4,504	355	3,252	2,462	681

### August Price Index of Goods Published

HK0811122789 Beijing CEI Database in English  
8 Nov 89

[Text] Beijing (CEI)—Following is the price index of goods in free market trade in August, 1989, Released by CSICSC [China Statistics Information Consultancy Service Center]: (Note: price of the same period of last year as 100.)

Price Index of Goods			
	National	Including	
		Town	Country-side
General Index	108.4	109.1	107.9
A. Price index of consumer goods	110.9	109.1	112.6
1. Grain	138.1	138.0	138.2
2. Edible vegetable oil	140.8	143.5	138.5
3. Vegetables	103.1	101.8	104.6
4. Dried vegetables	114.0	112.9	115.0
5. Meat, poultry, and eggs	109.8	109.6	109.9
6. Aquatic products	107.1	106.3	107.8
7. Fruits	106.8	107.7	105.7
8. Dried fruits	139.3	140.5	138.4
9. Daily necessities	124.6	123.1	125.0
10. Firewood	124.7	122.9	125.6
11. Others	106.5	109.7	104.6

Means of Production		
B. Price index of agricultural means of production	95.3	95.3
1. Forage	119.6	119.6
2. Farm tools	115.4	115.4
3. Poultry, pigs, sheep, and goats	75.9	75.9
4. Large domestic animals	110.8	110.9
5. Bamboo and timber	140.8	140.8

### Fujian Official Supports Transfer of Forest Reserves

HK2111062389 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0422 GMT 16 Nov 89

[Report by Bai Shui (4101 3055): "A Fujian Provincial Official Says Transfer of Forest Reserves With Compensation Will Not Lead to 'Destruction of Forest Resources'"]

[Text] Fuzhou, 16 Nov (ZHONGGUO XINWEN SHE)—In an interview by a ZHONGGUO XINWEN SHE reporter, Lai Jirui, director of the Forestry Department of Fujian Province, said that the transfer of forest reserves with compensation, a measure to reform forestry, will not lead to the "destruction of forest resources."

Department Director Lai Jirui said the transfer of forest reserves with compensation is one of the measures implemented on a trial basis to reform forestry in Fujian Province. It is aimed at further extending the afforested areas, providing the society with more forestry products, and promoting the change from the existing product economy to the planned commodity economy. The content of "the transfer of forest reserves with compensation" is the transfer with compensation, based on living trees, of labor for afforestation, management, scientific and technological research, and invested funds of new and intermediate forests cultivated by forestry cooperative organizations and individuals on barren hills, slopes, and beaches, after making clear the proprietary rights, which is aimed at solving the problems of a long growth cycle and slow return of capital in forest cultivation.

In 1981, Fujian Province began to stabilize the proprietary rights of hills and forests, designate slopes for private uses, and implement the responsibility system for forestry production. In 1985, the province abolished state monopoly for the purchase of timber from collective forestry organizations and timber has since been purchased at negotiated prices. In April 1988, the State Council approved to carry out tests on reforming the collective forest zones in Sanming City of Fujian Province. In the past few years, the Forestry Department of Fujian Province has made many positive attempts to reform forestry. At present, the department is building five bases of fast-growing high-yielding timber forests, forests for pulpwood, economic forests, chemical industry for forestry products, and timber processing. It has also started a shelter-forest project along the coast. At present, there are 75 million mu of afforested land in Fujian Province, accounting for 43.2 percent of the total area of the province and ranking first in percentage of the 30 provinces and municipalities on Mainland China. According to plans and arrangements of the Fujian Provincial Government, by 1995, the afforested land in Fujian Province will reach 100 million mu, accounting for 55 percent of the total area of the province.

Department Director Lai Jirui said that Fujian is in the subtropical zone and enjoys a mild climate with much rainfall. Therefore, trees grow fast and their growth cycle is only a quarter to half of that of trees in the north. Businessmen abroad are welcomed to cooperate with Fujian's forestry departments in making investment in forestry, to buy forests, or to lease land for the cultivation of forests.

Department Director Lai Jirui explained that what Fujian transfers with compensation or auctions is the proprietary rights of forests and land for afforestation can be transferred for use with compensation according to law. However, a length of time must be set. This is a bold attempt in the reform of forestry. The conclusion of a transaction means only a change in the proprietary rights of the forests. Tree felling and the use of land for afforestation should comply with the "Forest Law of the People's Republic of China," and other laws and regulations concerned. Taxes should be paid according to relevant regulations after tree

fellings. Therefore, the worries of some people that "the buyers may destroy the original trees and use the land for other purposes" and that "forest resources may be destroyed" are uncalled for.

### **Guizhou Increases Investment in Water Conservancy**

*HK0611080289 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 31 Oct 89*

[Text] The provincial people's government has decided on an increase in total investment of 20 million yuan in building irrigation works for the fiscal year of 1989 to 1990.

The investment of our province in water conservancy in 1980 reached 1.29 million yuan and it was reduced to 82 million at an average annual rate during the Sixth 5-year plan, and the average annual rate during the Seventh 5-year plan was over 85 million yuan.

The investment of 20 million yuan this year by the provincial government, added to the investment made by prefectures and counties, can reach the level of 1980, the highest one in history.

### **Guizhou Scores Achievements in Spark Program**

*HK1411044289 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 11 Nov 89*

[Text] Our province has achieved marked economic results and social benefits in its spark program. Over the past 4 years, it has carried out the projects of the spark program, totaling 235 projects. The total amount of investments was some 113 million yuan, the output value some 454 million yuan, taxes some 22 million yuan, profits some 68 million yuan, and foreign exchange earnings some \$1 million. Up to the present, of these projects in our province, 25 are at the state level, 61 at the provincial level, 149 at the prefectural and county levels, 51 percent are of agricultural projects, 47.7 percent of industrial projects, and 1.3 percent of other projects. These projects are of more practical use with less investment but more output and marked economic results.

For example, the four projects of (Zhenhua) Company have yielded an output value of some 32 million yuan, a tax of some 1.7 million yuan, profits of some 10 million yuan, and foreign exchange earnings of 260,000 yuan. In only 3 years, Qinglong County, one of the counties to conduct experiments in development of the five mountain areas of the whole province, has increased its financial revenue by 200 percent, the output value of its township and town enterprises has increased by 250 percent, and the output value of the county-run industrial enterprises has increased by some 100 percent.

### **Grain Procurement Proceeds Well in Heilongjiang**

*SK0811015389 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 7 Oct 89*

[Excerpt] This year, grain procurement has proceeded rapidly with good results in Heilongjiang Province. According to statistics, as of 3 October, the amount of grain put in storage throughout the province reached 21.4 billion kg, accounting for 40.4 percent of the annual procurement quota. Thus far, Kedong, Nehe, Tahe, Keshan, and Fujin cities and counties have overfulfilled their grain procurement targets in terms of quantity and variety. [passage omitted]

### **Shandong Meets Silk Export Target**

*OW1211125789 Beijing XINHUA in English 1448 GMT 10 Nov 89*

[Text] Jinan, November 10 (XINHUA)—Silk exports from east China's Shandong Province have already met this year's target two months ahead of time, according to a local official here today.

Shandong silk exports had earned about \$57.94 million by the end of this October, a 23 percent increase over the same period of last year.

### **Shanghai Late Rice Harvest Sets Record**

*OW1211112689 Beijing XINHUA in English 1457 GMT 9 Nov 89*

[Text] Shanghai, November 9 (XINHUA)—The late rice harvest in the suburbs of Shanghai has reached a record 1.68 billion kg this year, an increase of 117.5 million kg over last year.

Farmers and local officials said that the bumper harvest is largely due to the sowing of high-yield seed types and the adoption of new agricultural techniques.

Hybrid rice such as "Hanyou Xiangqing" and "Hanyou-1027," which have been widely planted in the Shanghai area, yields 20 percent more than the normal species.

### **Yunnan Sugar Output Decreases**

*40060013B Kunming YUNNAN RIBAO in Chinese 23 Oct 89 p 1*

[Summary] Sugar output in Yunnan Province dropped from 550,000 tons during the 1987-88 pressing season to 466,000 tons during the 1988-89 pressing season. The major reason for the decline is that farmers do not want to plant sugarcane because profits have declined.



**Yu Haocheng Discusses Current Issues**

40050635A Hong Kong MING PAO YUEKAN [MING PAO MONTHLY] in Chinese No 284, Aug 89 pp 28-31

[Article by Huang Ta-wei (7806 1129 5895): "'But I Remain Innocent Before the People'—Recorded Interview With Yu Haocheng Before His Arrest"]

[Excerpts] [Passage omitted] Yu Haocheng [0060 3185 2052] thinks his troubles began in 1985. At that time, the editor in chief of Hong Kong's CHING PAO went to Beijing on a visit and, through an introduction by a third party, got an interview with him. During the interview Yu Haocheng frankly stated his views on some issues. These views, which were different from those of the masses, made the officials very unhappy.

At that time, the Chinese Communists were making propaganda about the so-called "third echelon" successor issue, namely, the selection of some reliable elements to be the reserve for high-level cadres. Without the slightest politeness, Yu Haocheng criticized this as a feudal way of succession in which an incumbent leader would himself choose his own successor; this runs completely counter to democratic procedures and is the old stuff of Mao Zedong's "with you in charge my mind is at ease."

Yu Haocheng's second opinion was even bolder. He criticized Deng Xiaoping for "groping for stones to cross the river," maintaining that this was an empiricist method. With the economic reform being carried out on such an enormous scale, he does not come up with a general plan and just wants to take a step and then look at a step, causing waste and enormous losses to the state and the people. This is something that certainly should not be.

Yu Haocheng also pointed out that the existing laws and policies should permit the people to conduct open and free discussions and to put forward their opinions. Now, the officials permit only propaganda, not criticism. This fundamentally negates the people's freedom to discuss politics. At that time, he also suggested the establishment of a "Ministry of Supervision," and even if this ministry were later established and Yu Haocheng was still criticized for it, he noted satirically: "Even if you speak correctly, it won't do if you speak too early!" The party committee of the Ministry of Public Security reported these three viewpoints of Yu Haocheng to the higher authorities, charging him with continuing to express "mistaken political views." In September 1985 Yu Haocheng had just turned 60. The higher authorities found in his age a pretext for forcing him to retire, and they drove him out of his leadership posts. Arguing strongly on just grounds, he declared that he was not a party or government cadre, but a specialized technical cadre. His position was that of a copy editor, similar to a professor, and, in accordance with the stipulated minimum age, he could remain in the position until he was 70. But the higher authorities still insisted that he

leave his posts. For people who are not obedient, naturally the earlier they are powerless the better.

However, Yu Haocheng concluded that this kind of withdrawal was not a totally bad thing. After leaving his posts he was freed from administrative affairs and could do a lot of research at home. Responding to invitations, he had held the posts of vice president of the China Political Science Society, secretary general and concurrently standing committee member of the China Law Society, deputy secretary general of the China Constitution Research Society, and director of the China Law and Social Development Institute. When he had an opportunity, he regularly expressed his political views, and for this was more strongly criticized.

Yu Haocheng told me that the earliest that he had been criticized by officials was in 1981. At that time he published an article on the issue of freedom of the press, saying that the existence of newspapers and periodicals run by the people should be permitted. It was in 1981 that Internal Party Document No 9 was published, and this document banned "underground publications." At that time many people were arrested. Yu Haocheng was considered to be singing a different tune than the central authorities and to have "distorted socialist freedom of the press and beautified capitalist freedom of the press." Yu Haocheng said, "My proposal at that time was actually very conservative and it even had a basis in the 'four principles'; if it were wrong, I would not have spoken like that." But the Chinese Communists wouldn't tolerate even this conservative proposal.

I asked Mr Yu Haocheng to discuss the main views in his writings and speeches over recent years. He said that they can be summarized in four aspects. First, he thinks that the reform is now in dire straits, mainly because there has been only economic reform and basically no political reform. The experiences of the Soviet Union and the East European countries prove this point: It will not do to have just economic reform without political reform. Yu Haocheng said that all socialist countries at present use politics to control the economy. For example, since the founding of the PRC the Chinese Communists first expropriated bureaucrat capital to make state-run enterprises. Later, they took some "transformation" measures on public-private joint enterprises until they all became state-run enterprises. All the main enterprises are controlled by the government. This is not an economic issue, but is rather a political issue.

Yu Haocheng stressed that the main goal of the reform of the political system is democratization, namely, the democratization of the country's politics. Several years ago the proposition "without democracy there is no socialism" was put forward, but in recent years it has basically not been put forward. He pointed out that precisely because the reform of the political system is at a standstill, the phenomena of corruption in society is becoming more serious day by day, and economic reform is also hindered. The people see this point very clearly, but the leaders don't see it at all. Yu Haocheng

said that the leaders' understanding is that the premise for reform of the political system should be "stability and unity," which in reality means that they fear "disorder," thinking that once there is democracy and freedom society will be thrown into disorder. The actual situation is that the achievement of democracy is the precondition for stability and unity, and the more there is democracy and freedom, the more there is stability and unity; while the less the freedom and democracy, the more the disorder in society. Yu Haocheng gave an example, saying that this was the case with the 1986 campus upheaval. Why were the students "angry"? Because the elections were not democratic, and the students wanted to put up their own candidates. He maintained that what the officials say reverses cause and effect.

Next, Yu Haocheng advocated that we should not only learn a lesson from the science and technology of the countries of the West, but we also should learn a lesson from their political system and their ideology and culture. However, the current leaders still, like the rulers in the later Qing dynasty, advocate "Chinese learning for substance and Western learning for use." They think that for modernization China lacks only science and technology, and that in political system and social civilization it is first in the world. Yu Haocheng discussed Mao Zedong's sentence: "Stalin seriously damaged the socialist legal system; this could not happen in the advanced capitalist countries of the West—the United States, Britain, and France." This statement is also cited in the *Selected Works of Deng Xiaoping*. Since this is the case, we should study why the countries of the West can safeguard their legal systems. This really is a point in which the West's democratic system is more advanced than our system. Yu Haocheng thinks that even if on the mainland there is no "separation of the legislative, executive, and judicial functions of government," there certainly must be a "balanced division of powers." If there is no balanced division of powers there will certainly be corruption—this is a general rule in the world. That Mao Zedong was able to launch the Great Cultural Revolution was because there were no restraints on him. Therefore, criticism of the separation of the legislative, executive, and judicial functions of government is unreasonable. He emphasized that, looking at the present situation, we see that it is not enough just to have democratic centralism; a balanced division of powers is a necessary supplement to democratic centralization.

In the third aspect, Yu Haocheng discussed the question of party-government separation. He said that the party and the government are now not separated, power is excessively concentrated, and it is a very big malpractice that the party takes the place of the government. In the final analysis, is the center of power located in the organ of supreme power, the People's Congress and its Standing Committee members, or in the Politburo of the CPC Central Committee and even in the hands of several of the Politburo's Standing Committee members? He said: "It is not democratic for the party to be

the political center; even if it is the 'leading force,' it is only part of the people and was not elected by all the people. Some people are in charge of all the people—who mandated you?" Yu Haocheng further indicated that, although it may be said that the party's leaders are the result of the election of history, this kind of election is permissible for one time only and the people have the right to continual elections, which is part of the general knowledge of political science.

On the question of the separation of party and government, Yu Haocheng in 1984 openly objected to the powers of office of the Political and Legal Commission, and he even said so right to the faces of the high-level leaders. This Political and Legal Commission within the party is composed of public security, procuratorate, and law court leaders. Important law cases are first discussed here and then heard and tried in court. Sighing with regret, Yu Haocheng said, "In that case doesn't the trial become play acting? With the sentence already decided internally, the independence of the judiciary is fundamentally impossible." Yu Haocheng said that, although the Political and Legal Commission has been replaced by a Political and Legal Leading Group, the jurisdiction of this group is more or less the same as that of the commission. What is significant is that this replacement was not made public. Only Hong Kong's WEN HUI PAO published the story; the newspapers on the mainland did not mention it. In reality, this "group" is the same old stuff with a different label. The judicature still cannot be independent, a fact that shows that there is still great resistance to the reform of the political system.

Yu Haocheng pointed out that, in a speech after the 13th CPC Congress, Zhao Ziyang, when talking about the separation of party and government, said that there are many government departments within the party. He cited many examples, but not the Political Legal Commission, which he deliberately avoided. Yu Haocheng continued to raise this issue. SHIJIE JINGJI DAOBAO once reported his opinion on the issue, which greatly vexed the higher level of the Chinese Communists, who accused him of "bringing in the winepot that should not be opened." At this point Yu Haocheng laughed loudly, "All of you talk about wanting reform. I am doing what is completely in accord with the policy set by the party. What is the crime in that?"

The fourth major issue is the citizen's rights. Yu Haocheng pointed out that the people on the mainland do not have many basic rights, such as the right to speak out and the right to discuss politics, and that freedom of speech, press, and information do not exist. All newspapers are mouthpieces of the party, and popular newspapers and periodicals are not permitted. The Press Law is tardy in making its appearance. Yu Haocheng said, "I have said that 'powers must be restricted and that newspapers must be run by the people.' These words are very simple. Otherwise, the government can hear only its own voice, and it becomes farther and farther from the people. How then can the people supervise the government?" Many officials "do not fear circulating a notice,

but do fear seeing it appear in the newspapers," which shows how important this issue is. He cited the case of SHIJIE JINGJI DAOBAO, which, because it published a speech by Su Shaozhi [5688 4001 2535] at the national symposium on theory, was purged by the Propaganda Department of the CPC Central Committee, as showing that there is no freedom of the press. Yu Haocheng thinks that reform must first of all achieve the rights of the citizens.

In addition, there is no freedom of assembly and association, and also no law guaranteeing it. Although the Ministry of Civil Affairs is now drafting a Law of Assembly, in the final analysis it is hard to say whether its purpose is to curb the citizen's rights or to make it easy to control the citizen. Also, for a government department or organization to draft the law, while the NPC [National People's Congress] does not draft it, shows a complete lack of the concept of law.

As for the Press Law, in the drafting of which former editor in chief of RENMIN RIBAO Hu Jiwei [5170 4921 0251] headed the list, because he has now been stripped of his rights it looks as if the drafting will be postponed after he is taken into custody. Yu Haocheng thinks that at the outset Hu Jiwei was mainly responsible for writing the Press Law and that this was appropriate. He was a vice chairman of the Education, Science, Culture, and Public Health Committee, and also he firmly advocated that citizens be guaranteed freedom of speech and the press. Now he has been deprived of his status, and Yu Haocheng fears that what he wrote was "not ideal." The Information and Press General Office has now taken over the task of formulating this law, which is the office's first important task since its establishment. However, having a government organization draft a law is not a legal principle to be followed. Yu Haocheng said, "If a public security organ were to draft a 'Law on Marches and Demonstrations,' it would be extremely ludicrous, because as far as the public security organ is concerned it would be best not to have marches and demonstrations. How could it be appropriate to let it formulate this law?"

After finishing the discussion of his own important academic views, he briefed me on several disputes that he had started in the recent period, among which were some that he was disclosing to the media for the first time. For example, on the question of "rule by man" or "rule by law," he revealed that in 1959 Mao Zedong said in a memorandum that he wanted rule by man, not rule by law: "One editorial in RENMIN RIBAO, and the whole country follows suit; what need is there for any law!" Because what Mao Zedong said was too "defiant of laws human and divine," it was never made public. Yu Haocheng said that, because of this influence of Mao Zedong, law circles were always fairly "leftist" and only stressed the strengthening of the "legal system," never stressing the strengthening of "rule by law." He wrote a book entitled *Democracy, Rule by Law, and Socialism*, which discusses mainly the issue of rule by law under socialism and which triggered some disputes. Certain important articles in his book were incorporated in the

book *Collected Discussions of Rule by Man and Rule by Law*, which was published by the Masses Publishing House.

Another dispute was over the essential concept of law, namely, what is "law." Communism's traditional science of law insists that law is the product of class struggle, a characteristic phenomenon of a class society, and an instrument for class oppression. All the "law outlines" and law textbooks on the mainland say this, and this formulation was inherited from the Soviet Union. Yu Haocheng objected to this formulation. He thinks that law and its social nature are absolutely not just an instrument for class oppression, but are an instrument for regulating society and are society's regulator. Following the weakening and even the disappearance of class struggle, the effect of this regulator becomes greater while its class nature becomes smaller and smaller and even disappears. He illustrated his point with an example: There are now many laws, for example, the food sanitation law, environmental protection law, water pollution prevention law, as well as traffic regulations, and so forth and so on, none of which have any class nature and all of which are of common benefit to mankind. More and more people are coming to endorse this view.

In a balance of powers, one important issue is the multiparty system in which the supervision of the party in power by the party out of office is protected. What is the Chinese Communists' attitude on this issue?

Yu Haocheng said that on the mainland now there seems on the surface to be a "multiparty system," but this "multiparty system under the leadership of the Communist Party" means that one party is in power—not to say that there is one-party dictatorship. He said that the so-called "democratic party groupings" on the mainland do not, in reality, possess the qualifications of political parties, and that they are nothing more than social organizations. However, if there is no open, legal existence of true opposition parties or opposition factions within the party in power, democratic politics is sheer empty talk. In 1962, at a meeting of 7,000 persons in the party, Mao Zedong stressed that the open, legal existence of opposition factions within the party should be permitted, on the condition that they not engage in plots. What is unfortunate is that when his speech was made public this sentence was left out. Yu Haocheng thinks that if it had not been left out, the Cultural Revolution—that disaster—perhaps could have been avoided, because of the restraint imposed by opposition factions.

When he had spoken to this point, I asked a question: "In the preamble to the Constitution, the Chinese Communists wrote in the 'four upholds,' stressing the Communist Party's leadership; does this constitute an obstacle to the multiparty system?" Yu Haocheng was afraid that it was an obstacle. As early as during the opposition to "bourgeois liberalization" he was criticized because he discussed this issue. He insisted that the Constitution's preamble does not have the force of law,

contending that it is only a political statement, and also that it is not written in standard legal language. Looking at it from the angle of jurisprudence, the Constitution is the country's highest law and it stipulates the country's fundamental system. The socialist system and the people's democratic dictatorship in the "four upholds" can be reckoned as the country's fundamental system and put into the Constitution's articles. The party's leadership and its ideological guidance are ideological issues, and they cannot be put into the form of law unless the country is a fascist country. Yu Haocheng pointed out that in the initial stage of the Cultural Revolution Lin Biao said that "the 700 million people should have a unified thought, namely, Mao Zedong Thought," in an attempt to unify the thinking of all the people in the country. This was totally fascist, and it was a violation of democracy and of human rights.

Yu Haocheng said that some people in law circles now advocate that the Constitution be revised, for two reasons: First, the present Constitution is based on the product economy and is not geared toward the development of the commodity economy. Therefore, many of its articles are unsuitable. Second, there is the Taiwan issue. The present Constitution stipulates that Taiwan is a special administrative region, in an attempt to use the Hong Kong model to solve the Taiwan problem, but facts prove that this won't work. If Taiwan is regarded as a local regime, it absolutely will not respond. Yu Haocheng advocated that a "Greater China Constitution" be written, one which could be suitable for Hong Kong, Macao, and Taiwan. Its content certainly must go beyond the "four basic principles"—this restriction—so that all sides can accept it. He said that the Greater China Constitution must have few ideological slogans and that the "three people's principles" could be the basis for its formulation.

In academic discussions some people have suggested that the Kuomintang be permitted to come to China and have a legal existence there. Yu Haocheng thinks that this could be considered. He explained that he was now afraid that only the Kuomintang would be able to restrain the political forces of the CPC. Whether a political party is legal or not requires as its premise the recognition of the Constitution; to make the Taiwan side accept the Constitution, it must be revised.

At the end of the interview, Yu Haocheng discussed, in particular, the issue of human rights. He said that in December of last year the United Nations had conducted activities on the 40th anniversary of the issuance of its Declaration of Human Rights. He had written a long article, which was published in the magazine SHIJIE ZHISHI [WORLD AFFAIRS], marking this common commemoration day for mankind. He said that, to guarantee human rights, speech cannot be made a crime and that in a socialist country there should not be any ideological crimes. At the same time, we should give people the "freedom from fear." He thinks that there are no forbidden zones in human rights, and thus he is very dissatisfied with certain formulations by officials. For

example, once the subject of human rights is brought up, it often becomes an "internal affair" and foreign interference is opposed. In that case, is the racial discrimination in South Africa an internal affair, and why is it denounced?

Yu Haocheng said that this year is the 200th anniversary of the French Revolution. In that year the "Declaration of the Rights of Man and of the Citizen" was passed, and later it became the preamble to France's first Constitution. However, up to now human rights remains a serious problem, and in this respect China's backwardness is more formidable. He criticized the Central Committee notice commemorating the May 4th Movement, a notice approved by the Central Secretariat, which went so far as to not mention science and democracy, which were precisely the basis for the May 4th Movement. Yu Haocheng stressed that, at the time of the 70th anniversary of the May 4th Movement this year, the notice should have mentioned science and democracy, and also rule by law and the market economy, so as to bring about a new enlightenment. [passage omitted]

#### Functions of Legal Affairs Organs

HK2510082189 Beijing RENMIN GONGAN BAO in Chinese 6 Oct 89 p 3

[Unattributed article: "A Brief Account of Public Security Legal Affairs Organs in China"]

[Text] Public security legal affairs is an important component of China's socialist legal system and the work of government concerning legal affairs. It also helps public security organs to realize their functions, and is very important among all functions of the public security work.

The major purposes of public security legal affairs include: To work out plans for public security legislation; to make arrangements for the repeal, revision, and promulgation of regulations; to draft criminal and administrative laws and regulations; to formulate public security rules and regulations and regulatory documents on public security administration; to guide, supervise, and inspect formulation and enforcement of public security laws, regulations, and rules, as well as to work out solutions to problems of public security work; to compile public security laws and regulations and interpret public security laws, regulations, and rules; and to carry out propaganda of, and education in, the public security legal affairs, and to conduct study on legal science.

The competent department in charge of China's public security work is the legal department under the Ministry of Public Security. As early as 1954, the ministry set up a special legal organ—legal office—undertaking the drafting of public security laws and regulations, inspecting the enforcement of laws, and summarizing problems and their experience in the work of enforcing the laws. In this new historical period, the ministry set up in 1979 an office of policy and law studies on the foundation of the office of policy studies, in order to

perfect the socialist legal system and to strengthen the work of public security legal affairs and relevant policies and legal studies. The office was later renamed the studies office and the office of law and policy studies. Its prime task is to be in charge of studies of public security laws and policies. In order to further strengthen the work of legal affairs, and to perfect the legal affairs organs, the office of legal and policy studies was reorganized into the legal affairs bureau in June 1986, and was chosen as a special organ under the ministry to handle public security legal affairs. In March, 1989, it was further renamed the legal department in structural reform. The basic tasks of the department are to assist the ministry in making overall considerations, to conduct comprehensive studies, make arrangements and coordination, and give specific guidance on public security legal affairs. Its main functions are: 1) To work out plans for public security legal affairs; 2) to work out plans for legislation by the ministry and to arrange specific measures for relevant departments; 3) to coordinate and make arrangements for the formulation, examination, submission, and promulgation of draft laws, regulations, and rules on public security and other regulatory documents; 4) to interpret public security laws, regulations, and rules; (5) to guide the work of public security legal affairs at the local level and to supervise and inspect law enforcement by local public security organs; 6) to give guidance to localities on the handling of administrative reexamination and defense procedures; 7) to handle the study and investigation of major and complicated criminal, public security, and administrative cases; 8) to straighten out and compile public security laws and regulations; 9) to organize policemen and instruct them on studies in legal science as a corresponding work of the legal system education conducted by relevant departments. Under the legal department are offices (including the library) and departmental organizations, such as the administrative law department, criminal law department, and supervisory department for law enforcement.

Most of the local organizations in charge of public security legal affairs were established in 1983 after Central Document Number 23 was issued. At present, public security departments and bureaus in China's 29 provinces, autonomous regions, and municipalities directly under the central government, over 140 prefectural and city public security departments and bureaus, over 2,000 county public security bureaus, and about 100 public security sub-bureaus in urban areas have set up organizations to handle legal affairs. Some of them are called legal departments, sections, or offices; some are still called offices of legal and policy studies or offices of policy and legal studies. Though they are different in name, they are comprehensive public security organs at various levels in charge of legal affairs.

The focal point on the functions of these organizations at a particular level differ from those of another level. The major functions of provincial legal organizations are: 1) To assist their departmental and bureau leadership in supervising and giving macroscopic guidance on public

security legal affairs; 2) to coordinate and make arrangements for implementation of local plans of public security legislation; 3) to organize and coordinate the formulation, examination, submission, and promulgation of draft laws, regulations, and rules on public security and other regulatory documents; 4) to conduct legal studies and to make arrangements and instructions for the supervision and inspection of law enforcement; 5) to take part in the study and investigation of major and complicated criminal, public security, and administrative cases; 6) to give guidance to public security organs on the handling of administrative reexamination and defense procedures; and 7) to train grassroots cadres to handle public security legal affairs. The major functions of prefectural, city, and county legal organizations are: 1) To assist their bureau leadership in giving supervision and guidance to other public security departments at the same level as well as their subordinate public security organs on public security legal affairs; 2) to coordinate and make arrangements for the implementation of local plans of public security legislation; 3) to organize and coordinate the formulation, examination, submission, and promulgation of draft laws, regulations, and rules on public security (this refers to cities granted the right of legislation); 4) to handle their own legal examination of regulatory documents; 5) on the basis of the key tasks of public security work, to conduct legal studies and make arrangements and instructions for the supervision and inspection of law enforcement; 6) to assist bureau leadership in the examination of cases in which procedures of criminal detention, submission for arrest order, juvenile guidance, acceptance of hearing, security detention, and so on are involved; 7) to give guidance to public security organs on the handling of administrative reexamination and defense procedures, and to safeguard the legitimate rights of public security organs according to law; 8) to take part in the study and investigation of major and complicated criminal and administrative cases; and 9) to provide internal legal consultant services to public security organs and to launch propaganda on and education in the legal system.

After the administrative litigation law was promulgated, the ministry issued the "Notice Concerning the Work To Make Good Preparations Prior to Implementation of the Administrative Litigation Law," in order to ensure that this basic law will be implemented. It urged all localities to promptly perfect their organs to handle administrative reexamination, defense procedures, so as to provide organizational guarantee for handling administrative defense procedures. The notice urges that organs at all levels in charge of reexamination and defense procedures should, in principle, be set up in the departments in charge of public security legal affairs. Their functions are to undertake the reexamination and defense procedures of their own organs, and to give guidance to the subordinate public security organs on administrative and defense procedures.

### Liu Xiaobo Criticizes Intellectuals

40050667A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, Aug 89 pp 90-91

[Article by Liu Xiaobo (0491 2556 3134): "Intellectuals and Politics in Contemporary China—Part IV"; Part I published in JPRS-CAR-89-047, 17 May 89; Part II published in JPRS-CAR-89-088, 21 Aug 89; Part III published in JPRS-CAR-89-107, 31 Oct 89; first two paragraphs are an introduction]

[Text] After the Cultural Revolution, the Chinese people, especially the intellectuals, never acknowledged their own responsibility, stupidity, and sins.

**Repudiation and reexamination of the Cultural Revolution should mean the self-repudiation and self-examination of the individual, because, during the Cultural Revolution, whenever there was the chance, every Chinese joined the disturbance with fanaticism and affected a heroic posture.**

This is all because the atrocities of the Cultural Revolution can be forgiven. What cannot be forgiven is that, after the Cultural Revolution, the Chinese people, especially the intellectuals, never acknowledged their own responsibility, stupidity, and sins. Repudiation and reexamination of the Cultural Revolution should mean the self-repudiation and self-examination of each and every individual, because during the Cultural Revolution, every Chinese joined the disturbance with fanaticism and affected a heroic posture whenever there was the chance. Except for the people specifically targeted by those in power, who never waved the little book of quotations from Chairman Mao, who never "attended the early morning instructions, took part in the evening sessions, and performed the loyalty dance," who never took part in the criticism and denunciation sessions? If there was a chance to "smash the four olds and establish the four news" and "beat, smash, and loot," who refused to participate? Among those who could read and write, who never wrote a large-character poster? When the Cultural Revolution began, I was 11 years old. Except for the revolution, which was beyond my ability, I zealously took part in all the activities I could. Even today, I still remember the melody, the rhythm, and the steps to the "loyalty dance." I can still recite quotations and songs and poems of Mao Zedong. I still remember all the revolutionary slogans I memorized for the Cultural Revolution. My brothers joined the Red Guards, ganged up with others, and took part in the violence. My father and mother joined two opposing factions and often continued their fights at home. One time, I went along with some children to torture the local rich people, reactionaries, rightists, and the capitalist-roaders. An old man who had been a KMT [Kuomintang] soldier was so tortured that he did not know what to do, and finally, he knelt and begged for his life and cried "I must learn from the Little Red Guards; I salute the Little Red Guards." During the Cultural Revolution, not only the workers, the peasants, and the soldiers persecuted the intellectuals, but the struggle among the intellectuals themselves was even more gruesome. This kind of persecution of

intellectuals by intellectuals began with the criticism of the movie, *The story of Wu Xun*. It was followed by the "anti-Hu" movement, the "antiright" movement, and the "four cleanups" at the peak of the Cultural Revolution. The "dirt removal" and "antiliberalism" movements after the Cultural Revolution were also typical examples of intellectuals persecuting intellectuals.

The strange thing is, once the Cultural Revolution was over, except for the gang of four and its cohorts, everybody in China suddenly turned into either victims or anti-Cultural Revolution heroes. On this land of 9.6 million square kilometers, everywhere were voices of righteous indignation and denunciation of the gang of four, not unlike the denunciation of Liu Xiaoqi years ago. It seemed as if this major disaster that engulfed everybody was created by only a few people. If the ordinary workers, peasants, and soldiers were uneducated, stupid, not introspective, and were unable to question themselves immediately, then the well-educated "elite" should know better and should be able to question themselves! Regrettably, it was not so in reality. The intellectuals capitalized on their "stinking number nine" status and were the first to turn themselves into victims and heroes. People who had written large-character posters in their best handwriting began to write the most critical articles to denounce the gang of four. They wrote all kinds of self-glorifying novels, songs, reports, and theses. The movie directors who made *Spring Seedling* and other movies during the Cultural Revolution made movies about great sufferings, such as *The Horse Herder* and *A Town Called Hibiscus*, and about heroism, such as *The Wreath Beneath the Mountain* (referring to director Xie Jin [6200 2516]), afterward. China's modern-day intellectuals never emulated the Soviet Union's Solzhenitsyn and asked themselves, what responsibility do we have for the rampage of autocratic rule? Nor did they follow the footsteps of the German writers after World War II who atoned for the sins of militarism, even less the American writers who reexamined the Vietnam war. China's intellectuals put all the responsibility on a handful of people and assigned all the credit to themselves. This tendency is demonstrated very clearly in the way the new-age literary works repudiate the Cultural Revolution (please see my "The Reexamination We Cannot Evade," ZHONGGUO, April 1986).

The positive characters in the new-age literary works generally fall into two categories: One is the innocent victims, and the other is the anti-Cultural Revolution heroes. I am very sure that 99.9 percent of the works that have anything to do with the Cultural Revolution are about victims and the anti-Cultural Revolution heroes. So much has been written that we have reached the saturation point.

All the victims share the same kind, weak, and innocent demeanor. With both hands, they carry their pain and shame, still dripping blood and tears. They go begging from door to door to win the people's sympathy, ask for their protection, and move them into crying out against injustice. These works remind me of the scene "The Sad

Family History" from the play, *The Red Lantern*, the standard-bearer for all plays during the Cultural Revolution. I recall the many old workers, old peasants, and old PLA [People's Liberation Army] who spoke up at the meetings for pouring out grievances during the Cultural Revolution. The "condemnation of the evil old society" during the Cultural Revolution and the "condemnation of the evil gang of four" after the Cultural Revolution are different tunes rendered with equal skill and both are characterized by "bitter sufferings and deep hatred." The only way the Chinese people know how to reflect on their sufferings is to "recall past sufferings and think over the source of today's happiness" or "eat from the bowl of bitter memories." Since 1949, people have been eating "from the bowl of bitter memories." Even in the new era, they are still eating "from the bowl of bitter memories." "Bitter memories" have become the best spiritual food for the Chinese people. Every victim believes that life has been most unfair to him or her, that he or she has swallowed the bitterest pills and so deserves the most compassion and the sweetest rewards. From the government officials, the party leaders, to the intellectuals and even the masses at the bottom, suffering is worn like feathers on their caps. The name "rightist" has become a shimmering medal; it can reap the most praise and sympathy. The "capitalist-roader" hat has become the passport to power. It no longer satisfies the bureaucrats and officials to have their old jobs back or be given a promotion. **In China, everything is capitalized, everything is worn like feathers on the cap, not just to glorify oneself, but also to reap tangible material gains.** Needless to say, those who have gone through the grassland (the Long March,) fought the Japanese (the War of Resistance,) crossed the Changjiang (the Liberation war,) and fought all the way to the 38th Parallel (the Korean war) are extremely well-endowed. But even those who used to be hired hands and slaves have a glorious history, too. Normally, within the context of retrospection, suffering is nothing to be afraid of. As long as we draw lessons from the experience, it can be a valuable asset. Westerners gained their transcendent inspirations and the spirit of atonement from the sufferings of "original sin." But in China, suffering is the greatest asset for self-glorification. Except for the fact that one can capitalize on one's suffering and use it to beautify oneself and reap some tangible material gains, suffering is worthless. Mao Zedong was proud of China's state of "poverty and blankness," wasn't he? We should be proud of the calluses in our hands and the cow dung on our feet, shouldn't we? A ruffian was once elevated to the throne of supreme leadership, wasn't he? Isn't the book *Wenge de Xueleishi* [*The History of the Cultural Revolution Written in Blood and Tears*] the best proof of the people's self-glorification? In this strange land called China, **poverty, stupidity, ignorance, suffering, and weakness were at one time the most fragrant flowers of the land.**

The most incredible thing is that weakness has become the biggest asset of the victims. It seems that, if a person is weak, he must be innocent no matter what, and he deserves our sympathy. But the weak cannot make

anything out of life; they only live off of what the strong create. The weak cannot resist the evil forces; they can only implore the strong to protect them. The weak cannot defend themselves; they must beg the strong to protect them. In China, especially, **the huge number of weak people has made it the best land for autocracy to flex its muscle.** It is because the people are too weak that autocracy and tyranny can rise up and become strong. Weakness is one of the main reasons why autocracy is so brazen in China. Here, weakness and stupidity are often twin sisters. Traditional Chinese moral principles lauded "honesty" and "obedience," but they are often synonymous with stupidity. People often say that the Chinese people are the most obedient and most submissive in the world. This, in fact, is saying that the Chinese people are the weakest and the most stupid in the world.

**In the face of autocracy, weakness is senseless, and sympathy for weakness is useless. Just being sympathetic without trying to awaken the people is the same as yielding without criticizing.** The Chinese must struggle against not just the cruelty of autocracy, but also the people's weakness and stupidity. Lu Xun said, "I feel sorrow for their misfortune and anger for their not fighting back" when he talked about the weakness and stupidity of the Chinese people. Today, I feel it is far more meaningful to feel "anger for their not fighting back" than "sorrow for their misfortune." We must have sympathy for others, but sympathy alone can only render the weak even weaker and make the strong weak. It is just like tolerance for ignorance and stupidity only encourage more ignorance and stupidity. For this reason, sympathy may not be noble and poetic under all circumstances. In particular, when you are confronting both the despotic tyrant and the stupid public at the same time, sympathy is suicidal. China, with its thousands of years of cultural tradition that advocates "using weakness to subdue the strong" and "govern by doing nothing," is full of weak people. It was this "soft-as-water" culture that taught the Chinese intellectuals to suppress the strong and tolerate the weak. Reform in China today needs strong character that is not afraid to rebel against the tyranny of the ruler, reject the favors bestowed by the tyrant, and criticize the stupidity of the people. China's intellectuals can no longer afford to ingratiate themselves with those in power today or with the stupid public, nor can they use their weakness and innocence to get the sympathy of public opinion and of those in power. The images of the "frail scholar" and the "gifted scholar and the fine lady" can no longer be the image of the typical intellectual today; otherwise, the intellectuals will forever remain the "stinking number nine."

Those who fought against the Cultural Revolution appear to be somewhat wiser than the victims, especially the so called "veteran cadres" and "intellectuals." They had conviction and fought against the Cultural Revolution. But one sees little sincere and conscientious self-examination, repentance, and self-repudiation in the intellectuals. True, the cruelly persecuted intellectuals



conducted many a self-examinations during the "anti-right" movement and the Cultural Revolution. "Revolution that erupted deep inside the soul" forced them to go through so many interrogations, deliver so many explanations, and write so many self-criticisms, they had become routine. But everyone knows that this kind of self-criticism is not conscientious self-examination; rather, in order to stay alive, they simply had no choice. They either had to yield to the pressure and criticize themselves even if it was insincere, examine themselves even if they did not want to, or admit to a few crimes even if they had committed no crime. Or they would have to ignore right and wrong, and blindly admit that they were indeed bourgeois elements who had sinned against the party, the people, and the country. We can say that at that time the important motive behind the intellectuals' self-criticisms was to get rid of their "rightist" hat and their "stinking number nine" name. After the Cultural Revolution, all these self-criticisms were quickly cast aside, weren't they? (To be continued)

#### **CAS Contributions Praised**

*OW0611200689 Beijing XINHUA in English  
1447 GMT 6 Nov 89*

[Text] Beijing, November 6 (XINHUA)—The Chinese Academy of Sciences (CAS) has made great contributions to China's national economic development, according to Zhou Guangzhao, president of CAS.

In an article published by the ECONOMIC DAILY today, Zhou said that over the past four decades, the leading state scientific research organ has earned state prizes for 1,300 research findings, including 165 prizes of natural sciences, 49 percent of the national total.

The president said that CAS invented and developed China's first germanium transistors, the first transistor computer, the first ruby laser, and conducted systematic studies and tests of the iron ore deposits in the Daye area of Hubei Province, Bayan Obo in the Inner Mongolia Autonomous Region and Panzhihua in Sichuan Province, laying a sound foundation for the development of the three major iron and steel production centers in China.

CAS started space technology research in the 1950's and has contributed much to China's space industry, including the fields of satellites, radar, telecommunications, remote metering, and remote control. It has also made important contributions to development of atom and hydrogen bombs.

The ECONOMIC DAILY also reported that CAS, which has 123 institutes and 86,300 employees, including over 50,000 scientists, has actively commercialized research findings and developed them into applied technologies in recent years.

Since 1984, 8,000 scientists have set up 400 research-development-production entities. Over 700 of their products have each earned over one million yuan a year. Some products, including the "legend" Chinese character software, the Q-286 microcomputer, new magnetic material, and a germanous bismuth crystal, have been exported.

In 1988, CAS generated over one billion yuan (\$270 million) in revenue and handed over to the state 100 million yuan (\$27 million) in taxes and profits.

CAS has also signed contracts with enterprises in a dozen Chinese provinces and municipalities to provide technological support.

**Resurgence of Mao Military Thought Reported***HK1711020989 Hong Kong SOUTH CHINA MORNING POST in English 17 Nov 89 p 12*

[By Willy Wo-lap Lam]

[Text] China's military strategy has taken a turn to the left as Chairman Mao Zedong's theory on army building has come back into vogue.

And reformist-minded officers are expected to be sidelined in a reshuffle of the commands due to begin late this year.

"Although today's war is quite different from the war 40 years ago, the fundamental principles of Mao Zedong's dialectical military thinking will still play a guiding role in the study and command of the modern war," said Mr Zheng Wenhan, president of the Chinese Academy of Military Science (CAMS) and one of China's top theoreticians.

"Blindly copying foreign experience will not do any good," Mr Zheng added. "With its deep roots in the years of Chinese revolutionary experience, Chairman Mao's dialectical military thinking is particularly applicable to China's situation".

Mr Zheng made these remarks at a recently held National Symposium on dialectics in Military Thought, the gist of which was reported in yesterday's PEOPLE'S DAILY.

The forum, held in Nanchang, Jiangxi Province, was sponsored by the Mao Zedong Military Thinking Research Institute under the CAMS and the National Defence University.

At the conference, participants, who included senior military officers, vowed to immerse themselves in Marxist and Maoist military thoughts and to develop them in future strategic planning.

Analysts say that the revival of Maoist military thought means a reversal of reform introduced in the People's Liberation Army (PLA) by senior leader Deng Xiaoping and ousted party chief Zhao Ziyang since the mid-1980s.

Among other things, Mao contended that the PLA must remain an arm of the party. The Great Helmsman's famous Theory of People's Warfare points out that political awareness and ideological indoctrination are as important as weaponry in winning wars.

In the past few years, both Mr Deng Xiaoping, who resigned from his position of Central Military Commission (CMC) chairman only last week, and Mr Zhao Ziyang, who was CMC first vice-chairman, tried to wean the army from the party.

"Zhao Ziyang and modernisation-minded military officers think that in order that the army modernise itself along Western lines, it must become a state army, not a party army," a Western diplomat said.

In 1987 and 1988, Mr Deng and Mr Zhao began laying the foundation for the transfer of military control from the party CMC to the Defence Ministry, a branch of the Government.

Liberal army officers also studied Western military structures—specially French and West German ones—with a view to revamping the PLA command.

Mr Zhao's associates in the PLA also put the procurement of sophisticated weaponry over ideological indoctrination.

Analysts say that in the forthcoming reshuffle, reformist-minded officers could be purged.

Among members of the top brass who have been in eclipse is Defence Minister Qin Jiwei, a keen advocate of building up the Chinese Defence Ministry along Western lines.

In last week's reshuffle of the party CMC, General Qin, a CMC member since the mid-1980s, failed to be promoted.

The beefing up of political work in the army was also underlined in a just-concluded meeting of the Disciplinary Commission of the CMC.

Mr Guo Linxiang, secretary of the Disciplinary Commission, listed six tasks that must be grasped in the coming year.

The most important of these are "guaranteeing that the army remain in unity with the party Central Committee in thoughts and politics" and "using iron discipline to ensure that the orders of the party Central Committee and CMC are carried out".

**Military, Civilian Technology***HK1411154789 Beijing JIEFANGJUN BAO in Chinese 5 Nov 89 p 1*

[Dispatch by reporter Lei Xinlong (7191 2450 7893) and correspondent Su Kuoshan (5685 2368 0810): "National Military-Turned-Civilian Technology Fair Concludes With Some 300 Technological Projects Amounting to Over 100 Million Yuan Negotiated"]

[Text] Ningbo, 4 November—More and more military technologies in our country are finding their way into technological trade. This was learned from the National Military-Turned-Civilian Technology Trade Fair 1989, concluded today, where more than 300 projects amounting to over 100 million yuan were negotiated.

The trade fair was jointly organized by the State Planning Commission, the Commission of Science, Technology, and Industry for National Defense, and the Ningbo City people's government. Some 2,000 military-turned-civilian technological items were displayed at the trade fair by some 200 military technological units and enterprises, including the Ministry of Aerospace

Industry, the Ministry of Machine Building and Electronics, Northern Industrial (Group) Corporation, the Shipbuilding Industrial (Group) Corporation, Nuclear Industrial Corporation, some organs directly under the Commission of Science, Technology, and Industry for National Defense, and some provincial and city offices of science, technology, and industry for national defense. The displayed items ranged from important technological products which had been awarded by state, ministerial, or provincial authorities, to patent products. They revealed to a certain degree the levels attained by military-turned-civilian technology.

The trade fair, which displayed outstanding military technological products, was an important activity in encouraging military technology to serve the economic and technological development of coastal regions. From what this reporter saw at the fair, the technology displayed by the departments of the Commission of Science, Technology, and Industry for National Defense concerned areas such as agriculture, traffic, new industrial materials, light industries, energy, telecommunications, medicine and health, environmental protection, and industrial arts and crafts. During the 7-day trade fair, departments of the Commission of Science, Technology, and Industry for National Defense had discussions with overseas businessmen and representatives from over 10 provinces and cities across the country. A relatively large proportion of deals made at the fair were with open coastal cities.

During the last 10 years "the military-civilian combination," praised as the "second pioneering work," has made important contributions to the national economy, such as research and achieving breakthroughs for state key projects and the manufacture of important facilities, the exploitation of key energy sources, the manufacture of transport equipment, and bringing prosperity to domestic markets.

#### Article Views Advancement of Air Force

*HK2011054889 Beijing JIEFANGJUN BAO in Chinese  
7 Nov 89 p 2*

[Report: "The Air Force Has Established a Contingent of Pilots Who Are Militarily and Politically Sound and Considerably Combat Worthy"]

[Text] After 40 years of hard work, China's People's Air Force has established a contingent of pilots who are militarily and politically sound and considerably combat worthy.

At present, commanders, army commanders, division commanders, and regiment commanders of China's Air Force and all air forces under all military regions can fly airplanes; all pilots were graduated from colleges and training schools, or possess an even better educational background, and most of them are special-, 1st-, 2d-, or 3d-class pilots; and a considerable number of pilots are "all-weather" pilots, who are better equipped technologically.

The Air Force party committee regards setting up a contingent of pilots who are militarily and politically sound and considerably combat worthy as a fundamental task for building a powerful air force. They reformed the enrollment system and incorporated the education and training of the flight college into the higher education system in light of the structure of knowledge and ability called for by training objectives, so that the flight college would be gradually changed from one that turned most of its students into pilots with a college education into one that would train all its students as pilots with a college education. They also developed a new training system for "cultivating combat forces by the flight college, which was built by refitting the training bases," greatly reducing the time needed to train pilots.

Various air units improved the fighting capacity and tactical and technical level of pilots by carrying out combined training with various service arms and various types of airplanes, making a dawn-to-dusk long and hurried journey of a tactical nature, and giving lifesaving training on the plateau, in the thick forest, on the desert, and at sea. At present, the air units are, to a certain degree, equal to long-distance warfare, instant maneuvers, vigorous attacks, and air defense. Grade-A regiments, which gives the index to air units' combat effectiveness, have doubled and redoubled in number. The pilots' shooting and bombing achievements have all broken records. The incidence of accidents has been kept at a comparatively low level in the last 10 years.

#### Thefts Damage Communications Network

*90ON0057D Beijing JIEFANGJUN BAO in Chinese  
23 Aug 89 p 4*

[Article by XINHUA reporter Li Mei (2621 3780)]

[Text] Since the beginning of this year, stealing and destruction of communication lines have increased sharply, seriously threatening the safe and unimpeded operations of China's telecommunications system. In some areas, communications are paralyzed as a result. The Ministry of Posts and Telecommunications, the Supreme People's Procuratorate, the Supreme People's Court, and the Ministry of Public Security held a joint telephone conference today, calling on public security organs and postal and telecommunications security departments to concentrate their forces, strike hard at, and severely punish criminals who destroy communication lines.

According to incomplete statistics, in the first half of this year a total of 1,674 cases of destruction of communication lines occurred in the country, a 300-percent increase over the same period last year. A total of more than 1.44 million meters of electric wire and cable and 668 poles were stolen, causing a direct economic loss of 4.44 million yuan, a nearly 500-percent increase over the same period last year. The destruction of communication lines often disrupts communications in a province or large district and even international communications,

seriously disturbing normal work and social order and causing great economic losses. On 9 and 11 May this year, the national main communication lines from Beijing via Xian to Lanzhou, Jiuquan, Qinghai, and Xinjiang were destroyed. As a result, the communication circuits from the capital and other areas to the northwest region were cut off for more than 2,300 minutes with serious consequences.

Today's telephone conference planned to launch a special campaign to deal blows at strategic points at criminal gangs specializing in stealing and destroying communication lines. Actions will also be taken to completely sort out and shake up the scrap purchasing stations in various places, and illegal operators will be outlawed. The conference also called on all places to launch a publicity campaign for the masses to make joint efforts to protect the communication lines to deprive the criminals of opportunities and reduce the crime rate.

#### **'Comprehensive' Contemporary Military History Published**

90ON0057C Beijing JIEFANGJUN BAO in Chinese  
18 Aug 89 p 2

[Interview with a responsible person of the editorial department of *Contemporary Chinese Military Work* by a JIEFANGJUN BAO reporter: "An Attempt to Write Contemporary History by Contemporary People"; date, place, and names not given]

[Text] A book entitled *Contemporary Chinese Military Work* was officially published on the eve of the 62d anniversary of the founding of the PLA [People's Liberation Army]. This is the first large-scale historical monograph, a comprehensive account of the work of the PLA since the founding of New China. Recently, when interviewed by a reporter, a responsible person of the editorial department of *Contemporary Chinese Military Work* gave his views on several questions of greatest interest to our readers.

[Question] Military work is highly confidential, and there are many forbidden zones. How comprehensive is *Contemporary Chinese Military Work*?

[Answer] Military work involves many top secrets of the state, and many things cannot be made public. But, a book on the history of contemporary Chinese armed forces should give a comprehensive and systematic account of the course of development and sum up the historical experiences and lessons. Therefore, in drawing up an outline for the book, we made it clear that the book was to be as comprehensive and systematic as possible. Based on this principle, our account of military operations includes not only the battles fought in the early period of the People's Republic, but our support to wars against aggression waged by friendly and neighboring countries and the more recent counterattacks in self-defense on the Chinese border. For example, the war to resist U.S. aggression and aid Korea, assistance to Vietnam against France, assistance to Vietnam against

the United States, assistance to Laos against the United States, and several counterattacks in self-defense on the border are all given a comprehensive account for the first time. In the area of military construction, hitherto unpublished facts about organization, weapons, equipment, and military assistance to other countries are fully presented in this book.

[Question] For contemporary people to write contemporary history, it is often difficult to relate the setbacks and mistakes. How was this problem handled in the book?

[Answer] There have been setbacks and mistakes in military work, as in other fields of work, over the years since the founding of the People's Republic. The principle we followed in writing the book was: First, not to avoid them. For example, operations in the early 1950's, such as the defeat we suffered in the battle of Quemoy, the defeat in attacking Dengbu Island, the 180th Division of the Chinese People's Volunteers falling into enemy encirclement while shifting positions during the fifth campaign in the war to resist U.S. aggression and aid Korea, and the losses we suffered on Nanri and other islands in resisting harassing attacks by Kuomintang forces, are all accurately described in the volume. In military construction, the losses to modernization and regularization caused by the struggles against "dogmatism" and against the "bourgeois military line," "giving prominence to politics," and the mistakes in the Cultural Revolution and the wastes in national defense construction projects and in equipment caused by insufficient study and proof are also described. Second, we have tried to be as objective and fair as possible, present the facts clearly, and let the readers do their own thinking and make their own judgment. For example, about the defeat in the battle of Quemoy, we have not only described the combat preparations, changes on the enemy's side, the course of the battle, and the losses suffered, but also fully reflected the heroic and tenacious fighting spirit of the commanders and fighters and, at the same time, made a brief comment on the causes of the defeat.

[Question] The book covers various aspects of combat operations and military construction and involves many personages and activities. Are these fully reflected in the book?

[Answer] History is made by people. To write history, it is necessary to write about people and their activities. The book gives a fairly complete description of people from all walks of life who made contributions. A total of 1,029 people are described in the book. In writing about people, we generally adhered to the historical-materialist viewpoint and followed the principle of treating people as "part of history" and "part of events." Those who made contributions are not ignored by the book because they made mistakes later on. And those who were ordinary cadres in the past are not given special treatment and included in the book because they rose to high places later on. Certainly, because the book deals with a wide range of subjects and spans a long period of time, and because the materials we have on hand are limited,

some who should be mentioned, must have been overlooked, and this will be corrected in future editions.

### **Air Force Modernizes Aircraft Maintenance**

90ON0057B Beijing JIEFANGJUN BAO in Chinese  
6 Sep 89 p 1

[Article by staff reporters Zhuang Congsheng (5445 5115 3932) and Xu Sheng (1776 3932)]

[Text] The Air Force aircraft maintenance system has adopted a wide range of new technologies, processes, and materials as well as advanced management experiences. Aircraft maintenance has turned from experience to science. Maintenance quality and aircraft safety have been greatly enhanced. The number of serious flight accidents per 10,000 hours of flying time from mechanical causes is now approaching advanced world standard.

Aviation maintenance has been known as "airplane nursing." The Air Force aeronautical engineering departments have developed extensive technological exchanges at home and abroad, boldly imported and assimilated new aircraft maintenance technologies from other countries, actively expanded the application of microelectronic, laser, and optical fiber technologies in aeronautical engineering, and built a number of research and experimental facilities that are up to advanced domestic standards and international standards of the early 1980's. Aviation maintenance research units and universities and colleges have actively developed research activities centering on maintenance and have produced a lot of results, more than 1,000 of which won state and military scientific research awards, including 23 state invention awards and state scientific and technological advancement awards. The application and popularization of these research results in the field of aviation maintenance has greatly enhanced the modernization of aeronautical engineering for the Air Force.

The way aircraft are inspected and tested is indicative of a country's aviation maintenance standard. In the past few years, the Air Force has successfully developed several models of aircraft test carriages that can perform tests where airplanes are parked without the need to move them into shops. These test carriages, using advanced microcomputer technology, can directly monitor and automatically record and diagnose airplane troubles through closed-circuit television on the carriages, effectively increasing the speed and accuracy of aircraft maintenance and repairs. A visiting U.S. aviation maintenance delegation spoke highly of the test carriages.

The Air Force aeronautical engineering departments have also made vigorous efforts to improve maintenance management with the introduction of scientific methods. An Air Force maintenance electronic computer network has been set up. Instead of relying on experience, the

traditional maintenance management method, microcomputers are now used to analyze the condition of every plane, engine, and ground personnel and to provide accurate maintenance data.

The introduction of scientific maintenance in the Air Force has greatly improved aircraft maintenance quality, efficiency, and economic results. Compared with a few years ago, aircraft breakdowns have dropped by 40 percent, and the time required for periodic factory inspection of aircraft has been cut in half, contributing greatly to flight safety and the accomplishment of training tasks.

### **Navy Develops Blue-Water Support Capability**

90ON0057A Beijing JIEFANGJUN BAO in Chinese  
6 Sep 89 p 1

[Article by staff reporter Shen Shungen (3088 7311 2704)]

[Text] Formations of Chinese naval ships, flying flags of the socialist republic, are plying the oceans with increasing frequency. A leading comrade of the Naval Logistics Department points out that the Chinese Navy is able to conduct long-range training operations in the 1980's because it has solved the problem of logistic support at sea. The Naval Logistics Department's greatest achievement in a decade of reform is that it has quickened the development of a combined blue-water supply capability and has begun to move from coastal waters to the open sea.

For a long time, our naval activities were limited to areas near the boundary of our territorial waters, and a logistics system was developed mainly for operations close to shore. But, in today's world, naval weapons and equipment have changed greatly, including the development of guided missiles. To effectively strengthen coastal defense, it is urgently necessary to build up our defense in depth and to expand the radius of naval operations. In the face of this new situation, the party committee of the Naval Logistics Department is determined to find a way out through reforms. They have made vigorous efforts to develop logistics research, summed up past practical experiences, selectively studied the experiences of foreign navies in blue-water support, and organized experts and professors in numerous studies and demonstrations on the systems engineering of logistics from coastal waters to the open sea, writing hundreds of articles and solving nearly a hundred problems. They have also mustered the collective wisdom of many people and worked out a naval logistics development plan to the year 2000, which has already effectively increased the Navy's blue-water support capability.

The reforms have accelerated the development of supply equipment at sea. Concentrating limited financial resources on this important field, they have not only developed long-distance supply ships, but have begun to equip small and medium-sized vessels and water and oil

tankers with water and oil delivery and receiving systems, which have greatly increased the supply capacity at sea and contributed to the success of accompanied logistic support on more than 10 voyages to the Pacific Ocean, Indian Ocean, South Pole, and Spratly Islands. Wherever the warships go, oil and water supplies follow.

The reforms have increased the efficiency of logistic support at sea. They have abolished the fleet logistics organs and turned the four-level supply system into a three-level system, reducing the distance and time required to supply the major combat ships at sea. After reforms, the logistics department of a naval base has reduced its personnel by 45 percent, but is still doing the same amount of work. In the past year, they were assigned the task of supporting the construction work and naval ships at the Spratly Islands. Despite the time, distance, magnitude of the job, and other difficulties, they raised their efficiency by more than 200 percent and accomplished the task with flying colors.

The reforms have also accelerated the development of medical and rescue services at sea. The submarine units are now operating farther and in deeper waters and require better disaster-prevention, lifesaving, and escape equipment. The Naval Logistics Department Medical Research Institute has not only successfully developed a new, fast-floating escape technology, but achieved a depth of 350 meters in simulated saturation diving experiments, setting a new Asian record. To strengthen medical and rescue services at sea, many naval hospitals have organized medical teams for sea duties. They have conducted research on surgical operations and equipment for use on shipboard, converted a vessel into China's first hospital ship, performed nearly 1,000 surgical experiments on animals on board, and accumulated a great deal of experience. On voyages to the Pacific Ocean, the Spratlys, and the South Pole, scores of surgical operations, including appendectomies, rejoining severed fingers, and so on, were performed successfully at sea.

#### **Circular Urges Soldiers To Do More Volunteer Labor**

*HK1511053389 Beijing RENMIN RIBAO in Chinese  
11 Nov 89 p 3*

[XINHUA report: "The PLA's Three General Departments Issue Joint Circular Calling on the Entire Army To Take Part in Economic Construction With Greater Zeal"]

[Text] Beijing, 10 Nov (XINHUA)—In a joint circular issued today, the People's Liberation Army's [PLA] General Staff Headquarters, General Political Department, and General Logistics Department called on the entire Army to take part voluntarily in national economic construction with greater zeal.

The circular of the three departments stated that participation in the country's socialist economic construction is a fine tradition of our Army as well as a concrete manifestation of the objective of the people's Army. The 5th Plenary Session of the 13th CPC Central Committee has outlined policies for further improvement, rectification, and deepening of reforms. Under the circumstances, active support of the country's economic construction, hard struggle alongside the people of the entire country, and overcoming the current difficulties are practical steps to demonstrate the Army's sharing of the country's burdens and support of its economic improvement and rectification endeavors. They are also unshirkable responsibilities of our Army. With the approval of the Central Military Commission, starting in 1990, every man in the Army must do no less than 10 days of voluntary work in national economic construction each year. Specifically, an annual average of 10 to 15 days for members of combat troops under regiments and for military academy students; an annual average of 7 to 10 days for members of scientific research and technical units; an annual average of 7 days for members of organs at division level and up must be given. Schedules for volunteer labor should be prearranged when drawing up annual work programs. Time spent in carrying out relief and rescue operations may be counted as part of volunteer labor.

The circular urged all party committees and organs at all levels to strengthen guidance of this task, and to coordinate all arrangements, tighten organization, and emphasize efficiency in accordance with the conditions of the troops and of their bases in order to ensure proper implementation of the task. Efforts must be made for greater participation in agricultural capital construction and active support of the development of agriculture. In undertaking volunteer labor, the troops should be taught to learn from the people, observe mass discipline, and further promote unity between the Army and the government and between the Army and the people.

## EAST REGION

### Nanchang Controls Counterrevolutionary Disturbance

40050694A Beijing RENMIN GONGAN BAO in Chinese 18 Aug 89 p 2

[Article by Qilin Lubin (7784 7792 7627 3453)]

[Text] Wind and rain marked the departure of spring. The interim between spring and summer in 1989 was unusual. The counterrevolutionary revolt started by a very small number of people in Beijing spread nationwide, and in Nanchang a series of incidents happened one after another.

At this time, unlawful elements congregated on the city's public square, ramming and destroying automobiles, and hooligans insulted female students, creating numerous incidents of law-breaking. During this time, students from the 40 or so universities and vocational schools participating in illegal demonstrations numbered several hundred in smaller demonstrations, but 20 to 30 thousand in larger showdowns. Add to this armies of "vocal supporters" and the curious masses, and the maximum number at a large demonstration reached more than 100,000 persons. This caused much confusion and tie-ups in local traffic, which in turn, affected the normal routine of production, work, and daily in the city. During this period, leading agencies and key departments were attacked 17 times by unlawful elements among the demonstrators, seriously interfering with activities and operations of the Communist Party and the government.

It was during this time that the public security police and the armed police underwent an unselfish test of blood and fire in the face of danger, without concern for themselves. They boldly confronted the swelled-up bluster of the unlawful elements. In supporting the four basic principles and protecting the fruits of openness and reform, they came up with an outcome celebrating the victory of the struggle. During the period of the disturbance, nothing serious occurred in town—no crime or robbery, no serious accident, no disastrous fires, no traffic accidents, and no factory strike. Production activities, work, and the daily routine of the local populace continued in a fairly normal pattern, and rectification and stepped-up reform activities continued as usual. The party and political leadership on the provincial and municipal levels, and the masses, gave the public security officers and the armed police very good reviews and warm praise.

### Strike and Rectify To Clean Up Society

Since this spring, a movement to promote capitalist liberal thought that generally denies the four basic principles has been like an ill wind blowing up a dust storm. To maintain its influence on the social scene as much as possible, and to eliminate any basis for turmoil, the municipal bureau of public security mapped out an

overall war strategy of "one strike, three rectifications." It also established a special command center for this attack, with the bureau chief as commander, and the deputy bureau chief and branch chief of the municipal armed police as deputy commanders.

From April 10-19, more than 3,800 police officers and public security personnel participated in an overall city-wide drill, with outstanding results.

For example, a criminal, Pan Zhenguo [3382 2182 0948], who had escaped and not been seen after using a knife to threaten and rob people in November 1987, was located by the Jingshan police station working through his family. They found him at the Second Jiangxi Provincial Chemical Fertilizer Plant in the town of Xinyu where he was employed as a temporary worker.

In another case, the "great auto thief" Wan Daxin [5502 1129 2450], working with five other criminal elements at different times, had stolen 14 automobiles since December 1987 in localities around Nanchang and Jian Counties, and used them to rob and steal in localities bordering Nanchang and Xinjian Counties. After he was captured in May 1988, and while his case was under investigation, he escaped through a window and fled to a temple, Wannien Si, in Jiuhua Shan, Guichi, Anhwei Province where he posed as a Buddhist monk. After the police at Qingyunqian received a lead on his whereabouts, they immediately descended on Jiuhua Shan, found the criminal Wan Daxin, and brought him back for prosecution.

On the evening of 13 April, the Donghu police found three suspicious characters wandering in heavy rain during a routine patrol. Upon questioning and investigation, it turned out the police had uncovered a gang of thieves headed by Ouyang Jinsheng [2962 7122 6855 3932].

The Xihu branch of the bureau of public security, in a unified sweeping action, surrounded another large gang of thieves headed by Rao Shaoqing [7437 4801 3237] and Gan Yong [3927 0516]. Since late 1987, the two had been responsible for five cases of theft at the Nanchang Hosiery Plant, the provincial Bureau of Economic Relations and Trade, and the Nanchang municipal power plant, involving sums totaling 11,300 yuan and the loss of cameras, video recorders, and color television sets.

On 10 April, the criminal investigation team at the Donghu branch of the bureau of public security caught Luo Jianrui [5012 1696 3843], who was responsible for 36 cases of theft.

Police at the Jinxian branch concentrated on holdups at barricaded streets within the county, and assigned 383 police officers and public security personnel to investigate and arrest criminals responsible for barricading streets for holdups. They caught 124 persons responsible for various crimes.



In a countywide attack against criminal activity involved in the theft of mechanical and electrical equipment, the bureau of public security in Nanchang county uncovered 101 cases, caught 66 criminals, and 23 others representing five gangs.

After 3 to 4 months of a single-minded attack on crime, order was restored, displaying the rule of law and its threat to crime, cleaning up society, and lifting the spirit of the masses, the basis for creating social unrest was removed. This provided a favorable atmosphere for the forthcoming struggles that were to take place in April and May.

### Emergency Orders To Face the Enemy

In April, Nanchang was beginning to feel the stifling heat of summer. There was no breeze, even after midnight. Chen Shaolin [7115 4801 7792], the office director for the municipal bureau of public security walked into the bureau chief's office.

Bureau chief Yu Wanhai [0060 5502 3189] was sitting at his desk in deep thought. Chen knew that some important matter was in the offing when he was called in that late at night.

Since the latter part of April, the general situation nationwide had become serious!

On 20 April, in Beijing, the national capital, several hundred people had gathered in front of the XINHUA NEWS AGENCY to create a disturbance; they charged Zhongnanhai, while making reactionary speeches and shouting reactionary slogans, throwing some bricks and soda bottles at policemen who tried to maintain order.

On 22 April, in the ancient town of Xian some unlawful elements surrounded and broke into provincial government buildings, looted, and set fires, destroying 10 automobiles and setting fire to more than 20 houses.

On 22 April, from 1900 to the following morning, unlawful elements in the town of Changsha congregated at the intersection of Wuyi and Huangxing Roads, where they created a tense situation by attacking police and civilians, breaking into and looting stores.

While no great revolt took place in Nanchang, bureau chief Yu understood clearly that the comparative stability here was a relative one, for below the surface were dark, menacing currents.

It isn't that Nanchang did not have elements capable of creating an upheaval. That such an event did not occur was due primarily to the following reasons. First, since late March, a united front of "one strike, three rectifications" had been initiated by the municipal bureau of public security under the united leadership of the municipal committee of the CPC and the city government, as a specific war against a series of criminal activities. In the second place, since mid-April the bureau had instructed police posted at universities and technical schools to

coordinate with the political leadership at these institutions, to speak to the students about party spirit, and to provide proper guidance to prevent being taken advantage of by bad elements. Consequently, no large gatherings of students at public squares took place, and peace prevailed in Nanchang.

However, no situation remains static, and sooner or later, the boat will be rocked. The delicate situation now was the inclusion among the troublemakers of many young students and some of the masses who did not understand the situation, and many measures that could have been used were withheld. Chief Yu had spent many a sleepless night wrestling with this problem. Finally, he said, "Lao Chen, very few people are making plans behind the scenes to deal with and control such social unrest. The struggle to stabilize the situation is tied in with the very life and death of the party and the state. The important task facing us at present must be consistent with that of the Central Committee. Where do you think the sudden break is for this struggle?"

Chen said, "Continue to concentrate more effort on the united front of 'One strike, three rectifications.'"

"True!" Yu Wanhai's eyes flashed. "We must use real facts to teach our students and the masses, for only a very few are stirring up the unrest. From the ones we teach, more people will be mobilized under a banner clearly opposing unrest."

As a result, all the police and other personnel in the bureau of public security were enrolled, each in his or her post, in a state of war preparedness.

### Test of Preparedness on Eve of 4 May

On the eve of 4 May at the local people's square, a group of people not understanding the true situation poured in from all directions, with those looking for fun and excitement and those listening to rumors all mixed together, and crowding the several thousand students already quietly sitting there. Some unlawful elements took advantage of the crowding and decided to incite disorder by pulling down balloons and banners hung to commemorate the occasion, tearing them apart and burning them to exhibit their displeasure. Some incendiary matter was tossed into the crowds.

The news arrived at the command center of the bureau of public security in fragments, with bureau chief Yu Wanhai and his colleagues receiving news from individual sentries posted on site.

At 2330 that evening, 20 or so of the unlawful elements again tried to create an uproar to fan an incident. Three of eight windows at the propaganda depository of the Nanchang Municipal Workers' Cultural Palace were broken, and the road between the Overseas Friendship Co and the Xinhua Bookstore was barricaded by bad elements, which allowed them to attack passing cars. Windows or taillights on two trolley buses and two small sedans were broken. One food delivery truck was jumped

on by unlawful elements in front of Xinhua Bookstore, where it was rocked back and forth, gravely endangering the life of the driver and the state's property.

At the time when the situation was very tense, deputy bureau chief Zhang [1728] at the command center ordered that no effort be spared to protect the driver and the delivery truck carrying staples, and to arrest all unlawful elements. Police on duty near the public square at the museum, the provincial People's University, and the municipal cultural center, descended on the scene like arrows just shot from the bow and routed the troublemakers, many of whom were caught by pursuing police. More than 40 of these unlawful elements were attacking autos and insulting female students. This war was a small test of our preparedness capabilities, and it doomed the designs of a very few to stir up unrest. This gave the morale of the masses a great boost in their hopes for social stability.

#### Hope of the Masses Unswerving Throughout City

For many days, everyone, from the mayor down to city residents, was concerned that not all was done to avoid disturbing incidents. Finally, the inescapable took place. On 17 and 18 May, the Nanchang police and armed police were faced with a serious test.

At the Great South Gate of the provincial people's government, the national emblem and the words "Jiangxi Provincial People's Government" were prominently displayed at the entrance. It was peaceful around here in April, but going into May, after a worsening of the situation in Beijing, the atmosphere here also became tense all of a sudden. To prevent any destruction by unlawful elements, the political commissar, Song Yongshang [1345 3057 1424], of the Donghu branch of the bureau of public security, together with security police and armed police kept watch day and night on the premises.

On 16 May, groups of demonstrating students appeared in a great wave, and Commissar Song and his several scores of police linked arms and formed a human wall to forestall the wave upon wave of uproar from this sea of humanity.

Commissar Song used a bullhorn to ask the demonstrating masses not to interfere with the normal operation of the provincial government, and he kept repeating the message until his voice became hoarse and his eyes bloodshot. All this time, he and his struggling friends continued locked together, even as they sustained injuries to their bodies. They remained locked in this position as 17 May dawned. Around 1400 that afternoon, several thousand demonstrators headed straight for the Great South Gate and, shouting slogans, asked to see the governor. Commissar Song Yongshang and colleagues were "swallowed up" in the crowd. At 1535, Governor Wu Guanzheng [0702 1351 2973] and Lieutenant Governor Jiang Zhuping [5592 8540 1627] and Zhang Fengyu [1728 6646 7183] met with the demonstrators and addressed them very sincerely:

"You wish me to talk to you. After I have made a few remarks, you can offer any views or requests you may have. I have already talked with more than 40 of you in a meeting on the 5th. We can still set a time for us to continue talks, but there is one condition. The provincial government cannot be attacked. Any attack is wrongdoing." The feeling among several thousand students ran high, and they applauded enthusiastically, after which they slowly disbanded in an orderly manner. However, the situation was not under control, for bad elements bent on creating an incident continued to generate rumors and demanded that the governor turn over the highest official in Jiangxi Province, and used this as an excuse to fan the students into surrounding the governor. At this critical moment, Commissar Song, with no concern for his own safety, rushed up to boldly protect the leadership, and escorted the governor's group to a safer place.

On the morning of 18 May, the provincial Department of Broadcasting and Television was in a state of emergency. Demonstrators from schools of higher learning had surrounded and attacked the broadcasting studios, and a group of unlawful elements mixed in with the students used this opportunity to attack the station, madly shouting: "This television station does not speak up for the people—destroy it!" or "Come on out, station director!" or "Come on out, department head!"

When Chief Yu and Deputy Chief Zhang of the command center at the municipal bureau of public security heard about the situation, they were quite concerned. The news sections in the television and broadcasting studios in the provincial Department of Broadcasting and Television are important instruments of the party that cannot be allowed to be destroyed by bad elements. They immediately directed Chief Xu Xiaogang [6079 2556 0474] of the Xihu branch of the bureau of public security to the site with additional police officers and 200 firemen to handle the situation.

Around 2200, a general-duty support team was ordered to the provincial Department of Broadcasting and Television, where, under the direction of provincial protective security officers, the group took a circuitous route through the dormitories to enter the grounds.

When people's policemen Liang Bo [2733 3134] and Zhong Xiaomao [6945 1420 3029], who were on duty directing traffic at a nearby intersection, requested demonstrators not to attack the station, they were subject to abuse instead, cigarette butts were thrown at them, they were spat at, pushed around, and had their hats grabbed and thrown to the ground. Such personal abuse overstepped the bounds of reason, but the mayor and bureau chief counseled the police "to consider the larger, overall situation by not hitting or talking back," thereby allowing the situation to cool off.

An hour after the encirclement, the dark and menacing clouds of turmoil were diffused on the spot. The unlawful elements in the group continued shouting,

"Why wasn't the demonstration yesterday reported?" "We want the station directors and the department head to come out!" Following this, they tried to get the crowd to attack and to continue rushing the guards posted at the provincial radio and television station.

The iron gate next to the guard post was pushed so hard that it rocked back and forth, the grassy plot at the entrance was trampled, and the iron fence surrounding it was toppled.

Several unlawful elements broke and tore down the sign at the entrance to the broadcasting station, and the turbulent situation became increasingly serious. The deputy directors of the radio and television stations and deputy department head Yu Xiangdang [0205 0686 7825] went outside the gate to speak to the students, to ask them to observe the rules and leave the premises, but they were lost in the swarming crowd in no time.

At this time, Xu Xiaogang realized that the department and station leaders were in danger and promptly directed several strong police officers to charge into the crowd and bring deputy department head Yu and the deputy station directors back.

At 1230, the crowd encircling the provincial broadcasting station still showed no sign of dispersing. Deputy department head Yu Xiangdang and the two deputy station directors again appeared at the entrance to deal tactfully with the crowd, and said they could talk with them across the street. When Xu Xiaogang, the on-site director saw the crowd move, he immediately dispatched on-duty personnel to occupy the passageway leading to the entrance to the provincial Department of Broadcasting and Television and quickly transferred several scores of police officers to protect the leaders inside.

At this time, in the crowd was a troublemaker wearing glasses who had grabbed hold of deputy department head Yu Xiangdang and others, and was steering them to the public square for further dialogue, followed by a shouting crowd of several thousand. The situation was extremely critical. But the police officers who had been called in charged right into the crowd, with no concern for their own safety, made a protective ring around Yu and the others, while accompanying them to safety, and arrested the ringleaders, thereby quelling this disturbance.

From April on, the situation in the city of Nanchang has been basically stable, without any great economic loss. The Central Committee is satisfied with conditions in Jiangxi Province.

But we know that the public security police and the armed police had made great sacrifices to prevent any disturbance. During the 2 months of upheaval, more than 90 public security police officers were unable to care for sick family members because they remained at their posts, close to a hundred gave up sick leave even though they were ill, and over 80 police sustained injuries on duty. In controlling this disturbance, a total

police force of 1,600 men were spent to prevent strikes; 4,450 to deal with class attendance strikes, hunger strikes, and sit-in demonstrations; 700 to prevent attacks against party, government, and military installations; 82,500 to monitor the demonstrations; 100 to direct traffic; 500 to protect from harassment workers going to their jobs; and 530 to grant permits. Through this infusion of police manpower, public safety and order in Nanchang were effectively maintained and stabilized.

## CENTRAL-SOUTH REGION

### Guangdong Holds Environmental Protection Conference

HK2211133589 *Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 21 Nov 89*

[Text] The fifth Guangdong provincial conference on environmental protection concluded yesterday afternoon. Leading comrades, including Ye Xuanping, attended yesterday afternoon's conference.

Governor Ye Xuanping said, "We cannot now merely stress the environmental protection work in general terms. We must understand the development of the work from the plane of the unrelenting stability and coordinated development of the state economy. Due to comparatively rapid industrial development, especially due to the comparatively rapid development of township and town enterprises, new sources for causing environmental pollution have increased by a wide margin in recent years. It is now time to solve the problems left over by the past, including the problem of environmental protection."

Governor Ye Xuanping emphatically pointed out, with a view to further strengthening leadership over the environmental protection work, it is necessary to implement the city, county, and town responsibility system. The principal leading comrades of all places must personally grasp this work, all levels must be responsible, and the organs must be put on a sound basis.

This conference's studies and discussion included the question of establishing a new environmental protection order in the course of improvement, rectification, and deepening reform.

### Hainan Increases Nature Reserves

OW1711204289 *Beijing XINHUA in English 0659 GMT 17 Nov 89*

[Text] Haikou, November 17 (XINHUA)—From 1980 to 1988, nature reserves in Hainan Island have increased from four to 54, and their total area increased from 8,630 ha to 2.6 million ha, about 3.2 percent of the island's total landscape.

Nine of the nature reserves are on the sea while the other 45 are inland.

Due to the great attention of the provincial government and the cooperation and support of the local people in the past few years, the nature reserves have achieved obvious ecological benefits.

In Wuzhishan Mountain Primeval Forest Nature Reserve, the forest cover has increased from the original 66.9 percent to 86.2 percent. When the Nanwan Macaque Nature Reserve was set up in 1976, there were but 30 macaques. There are now over 1,300.

There are also reserves to protect coral reefs and mangrove forests.

Vice-Governor of Hainan Province Bao Keming said that Hainan Island is China's treasure-house of natural resources and the last piece of well-protected virgin land. The province will pay even greater attention to the rational exploitation and protection of its natural resources.

#### **Hainan Begins Environmental Protection Course**

*OW1211120089 Beijing XINHUA in English  
0726 GMT 10 Nov 89*

[Text] Haikou, November 10 (XINHUA)—An advanced course in environmental education and training for administrators has opened in Tongshi, Hainan Province, south China.

The course is supported by the United Nation's Educational, Scientific and Cultural Organization (UNESCO) and is due to end in March next year. It will train officials responsible for protecting environmental resources in the province.

Hainan is China's largest special economic zone and it abounds in natural resources. The provincial government has taken the lead in China in setting up a bureau of environmental resources and issuing regulations to restrict the creation of new sources of pollution.

#### **Hainan Cultivates Tropical 'Artificial' Communities**

*OW1511102389 Beijing XINHUA in English  
0908 GMT 15 Nov 89*

[Text] Haikou, November 15 (XINHUA)—Hainan Province has successfully cultivated tropical artificial communities to make better use of land resources and improve the ecology.

An artificial community means an ecological system comprising more than two plants.

The Hainan Land Reclamation Bureau reported that they have succeeded in planting such artificial communities as rubber-tea, rubber-coffee, and rubber-medicinal herbs. A survey shows that this "companion cropping" has raised the land utilization rate by 50 percent, halted soil erosion and improved the microclimate.

Hainan's progress in developing tropical artificial communities attracted the attention of both Chinese and foreign experts, including UNESCO officials, at a recent meeting.

### **NORTHEAST REGION**

#### **Jilin People's Congress Standing Committee Meeting Results**

*SK2111070389 Changchun Jilin Provincial Service in Mandarin 2200 GMT 20 Nov 89*

[Text] After 6 days in session, the 12th Standing Committee meeting of the seventh provincial People's Congress ended in Changchun on the afternoon of 20 November.

Cui Lin, vice chairman of the Standing Committee of the provincial People's Congress, chaired the meeting.

The meeting approved the Jilin Province regulations on collective enterprises at the town, township, and village levels; the Jilin Province regulations on the work of deputies to the People's Congresses at various levels; and the Jilin City regulations on the management of urban planning work. The meeting also decided on personnel appointments and removals. According to the opinions set forth by the Standing Committee members and the decision made at the meeting of chairman and vice chairmen, the Jilin Province draft regulations on the management of urban construction and overall urban development and the Jilin Province draft regulations on the management of commodities fairs, which were examined and discussed at the meeting, will be submitted to the committees and departments concerned for revision and then be submitted to the next Standing Committee meeting for examination and discussion.

Present at the meeting were 42 people, including Huo Mingguang, chairman of the Standing Committee of the provincial People's Congress; Cheng Shengsan, Yu Ruihuang, Renqinzhamsu, Xu Yuancun, Chen Zhenkang, and Ke Muyun, vice chairmen of the committee; Zhang Jiande, secretary general of the committee; and some Standing Committee members. Hui Liangyu, vice governor of the province; Xie Anshan, president of the provincial Higher People's Court; and responsible persons of the provincial People's Procuratorate and relevant departments, attended the meeting as observers.

The meeting participants made speeches at the meeting on the morning of 19 November. (Zhang Mingtan), (Lian Hua), (Wang Rulin), and (Yang Sen) made speeches on taking stock of and straightening out companies, deeply implementing the notice of the Supreme People's Court and the Supreme People's Procuratorate, and developing town and township enterprises. Ke Muyun, (Liu Shufen), and (Xu Gongxin) made speeches on dealing blows to economic crimes. Chairman Huo Mingguang made a speech at the closing ceremony.

**Shenyang Disbands 55 Polluting Enterprises**

*OW2311185389 Beijing XINHUA in English  
1053 GMT 23 Nov 89*

[Text] Shenyang, November 23 (XINHUA)—The Environmental Protection Bureau of Shenyang, capital of northeast China's Liaoning Province, recently made a decision to disband 55 rural enterprises which have serious pollution problems.

At present, the Shenyang area has more than 30,000 rural enterprises, some of which are poorly administered, and have made virtually no effort to fight pollution, seriously endangering their ecological surroundings.

Since 1984 there have been more than 20 pollution accidents caused by rural enterprises in the municipality. Wells in a few villages have been abandoned after being polluted by waste water, and in some areas livestock has died from the same cause.

This year the city's environmental protection bureau has listed 385 rural enterprises as ones to adopt effective measures to deal with their pollution problems. Besides the 55 disbanded enterprises, the bureau will also carry out comprehensive rectification of the other rural enterprises with pollution problems.

## Two Views on 40 Years of Taiwan-Mainland Relations

### Obstacles to Reunification

90ON0167A Beijing TUANJIE BAO in Chinese  
30 Sep 89 p 4

[Article by Guo Xiangzhi (6753 4161 2655), associate researcher, Taiwan Institute, Chinese Academy of Social Sciences: "The Evolution of Mainland's Policy on Taiwan and the Development of Relations Between the Two Sides of the Strait"]

[Text] The 40-year tortuous development of relations between the two sides of the strait has always been affected and restricted by factors in many areas: First is the mainland's situation and policy toward Taiwan; second is the international factor, especially U.S. policy toward China and Taiwan; third is the political and economic situation on Taiwan island and the KMT's [Kuomintang] policy toward the mainland. Through complicated changes and developments, we can clearly see two interrelated main lines, namely:

First, the country must be reunified. Since the founding of New China, the mainland, trying to find a method and way of reunification, has set forth a series of policies and proposals that have become the fundamental factor in guiding the development of the situation of the strait. There have been two historical periods divided by the turning point of the 3d Plenary Session of the 11th CPC Central Committee. The first period is the period of "military solution" between 1949 and 1978. The CPC was forced to adopt this principle because the United States exercised military intervention, stationed troops in the Taiwan Strait, and provided military aid to the KMT government. The KMT, unwilling to take defeat lying down, fantasized that it would "stage a counterattack and restore the mainland." In spite of all this, the CPC did not give up on the possibility of seeking a peaceful solution. It put forward various proposals for peaceful solution and made all kinds of efforts, including holding 136 Sino-U.S. ambassadorial-level talks, which lasted for 15 years, from August 1955 to February 1970. The second period is the period of "peaceful reunification" between 1979 and now. International and domestic situations witnessed major changes during this period. The mainland shifted to the work of economic construction; China and the United States established relations; and the United States agreed on the three principles of abolishing treaties with, withdrawing troops from, and breaking off relations with Taiwan. Since these created objective conditions for the peaceful solution of the Taiwan issue, the CPC set forth the basic principle of "peaceful reunification" and "one country, two systems," pushing the strait's situation to develop in a direction favorable to detente.

Second, relations between the two sides of the straits must be improved. This is the eager desire of the people on both sides and the precondition for the reunification of the country. In the past 40 years, the general trend in

the development of relations between the two sides of the strait has been good. Especially in the last 2 to 3 years, under the joint efforts of governments and people on both sides, the situation has developed from serious confrontation to relaxation and from isolation and separation to contacts and opening up. Various exchanges have made remarkable progress. Since Taiwan lifted the travel ban in 1987, more than 700,000 Taiwan compatriots have visited the mainland and nearly 3,000 mainlanders have attended funerals and visited ill relatives in Taiwan. Compatriots on both sides have increased understanding and trust, expressed their feelings, and laid down a foundation for merging again the Chinese nation. It is expected that various exchanges between the two sides will break through various manmade obstacles and develop from one-way to two-way, indirect to direct, and nonofficial to official, and from economic, cultural, scientific and technological, and academic areas to political areas.

Some unfavorable and even dangerous factors now exist in the development of relations between the two sides especially on the issue of reunification. We need to guard against them and make efforts to eliminate them. Their main expressions are: 1) Intervention by international imperialist forces. Out of their own interests, they do not want to see the strait's situation relaxed and relations between the two sides improved. They always create obstacles at the critical moment in the development of relations between the two sides. 2) The Taiwan Government's policy of upholding peace but refusing to talk—an illusion to keep the two sides under separate rule—has become increasingly clear. Since the new Taiwan Government came to power, it has adopted some measures to open up relations between the two sides. But at the same time, it has continued to stubbornly adhere to the "three no's" policy, enhanced the so-called "awareness of enemy and friend," and shouted about using "Taiwan's experience" to stage a "political counterattack" at the mainland, thus undermining the relaxing atmosphere between the two sides. In order to acquire the so-called "international status of sovereignty," Taiwan has openly played the tricks of "flexible diplomacy" and "dual recognition." In fact, this is to make separation of the two sides a long-term, internationalized, and legalized arrangement. This has not only violated the principle of "one China" but has also seriously undermined state and national interests.

To continue to push the development of relations between the two sides, I think that the two sides may start on many things. For instance, with the participation of personages from all circles on both sides, the two parties of KMT and CPC may hold talks and reach some agreements on the following issues: 1) Jointly affirm the fighting goal that there is only one China and that China must be reunified; resolutely oppose any measure and action that may lead to the long-term separation of China and even the "independence" of Taiwan. 2) Jointly affirm that the basic principle for realizing the reunification of the two sides is independent, peaceful

reunification, and resolutely oppose the interference and intervention of any foreign power. 3) Jointly discuss and determine a timetable of reunification acceptable to both sides. 4) Jointly discuss and declare, under the above preconditions, an end to the state of war between the two sides and normalize relations between the two sides. The state of war is determined by the actions of both sides. It is very irrational for the KMT government to demand that the CPC unilaterally give up the use of force. 5) Jointly discuss and set forth basic norms for handling relations between the two sides before the reunification of the country, including the scope of international activities and relevant rights of the Taiwanese Government under the principle of one China.

### Taiwan's Independence Sentiment

90ON0167B Beijing TUANJIE BAO in Chinese  
30 Sep 89 p 4

[Article by Wu Jiatong (0702 0857 2717), director of the Research Department of the China Association of Taiwanese Compatriots: "The Growth and Decline of National Consciousness and Separatism of Taiwan in the Past 40 Years"]

[Text] In the past 40 years, forces advocating peaceful reunification have grown substantially on Taiwan Island, and the national consciousness of the Chinese nation has further increased as the people on both sides of the strait broke through barriers, lifted travel bans, visited relatives, and carried out a wide range of exchanges. However, separatism—forces advocating "Taiwan independence"—has also grown considerably. Many Overseas Chinese advocating "Taiwan independence" have returned to Taiwan. At first, there were free discussions of "Taiwan independence" on Taiwan Island. Now, they have openly established organizations and drafted the so-called "new constitution of the Republic of Taiwan." The "International Taiwanese Association" held conventions for 2 consecutive years on Taiwan Island, using the theme of "independence and national construction."

The issue of "reunification" and "independence" of Taiwan has always been a mixture of emotional and political factors which has developed into a very complex situation. We cannot draw a simple conclusion on this issue.

First of all, let us take a look at the emotional or sentimental factors. Generally speaking, emotional factors are reflected in two areas: 1) The scar of the February 28th Uprising. The Taiwanese utterly detest the KMT for being corrupt and imperious and discriminating against Taiwanese. 2) The "fear of communists." Due to a lack of understanding of what happened on the mainland, Taiwanese do not trust the KMT, nor are they willing to be reunified with the mainland. Therefore, they decided to take it upon themselves to realize "Taiwan independence." The occurrence and sentimentalization of such emotion is understandable and worth our sympathy. As time passes, the younger generation, in

particular, no longer has personal knowledge of such issues, which exist only as a continuation of history. The scar of the February 28th Uprising is fading too. A few elements of "Taiwan independence" insisted on blaming mainland compatriots for the February 28th Uprising, insisting that it was an incident where mainlanders opposed Taiwanese. This view has already been overthrown by facts.

Second, it is true that Taiwan compatriots have fear of communists. It comes from 40 years of manmade obstacles between the two sides of the strait. It also comes from, especially, elements with ulterior motives who created rumors and deliberately created an atmosphere of fear of communists so as to help them promote separatism and openly carry out "Taiwan independence" activities. Together with the test of time, according to an opinion poll of Taiwan, Taiwan compatriots' impression of mainland has changed drastically. Of all those who have visited the mainland, 17.4 percent think that the mainland is not as horrible as they thought, only 5.1 percent have a bad impression, and the majority think it is neither good or bad. Another survey shows that 54.5 percent like the mainland, and only 11.6 percent do not like it. As the situation develops, forces favoring reunification are growing, organizations advocating peaceful reunification have been openly established one after another, people have continued to openly organize groups to come to the mainland to discuss issues concerning either reunification or relations between the two sides in economic, trade, legal, cultural, art, and sports circles. As far as emotional factors are concerned, separatism and separatist tendencies are weakening and national consciousness is growing.

Let us now take a look at political factors. They can be roughly divided into three phases:

The first phase is the initial period of the founding of "Taiwan independence." In the 1950's and 1960's some elements in the United States and Japan who had ambitious interest in China's territory plotted, controlled, and supported behind the scene to help raise the movement of "Taiwan independence." The main stage for the activities of "Taiwan independence" at that time was overseas. Especially in the United States, 100 to 200 people backed 30-plus of so-called "Taiwan independence" skeleton organizations. Some of these organizations had only a few members, and most of them were Chinese who had become foreign citizens. It is ridiculous for them to represent the people of Taiwan. However, since they had the strong support of backstage bosses who practiced power politics, they did create quite a stir. During the period of the mammoth movement to "protect Diaoyutai Island" in the 1970's, the voice of "Taiwan independence" was drowned out and became useless.

The second phase is the 1970's when Taiwan's economy took off and some local forces and native capitalists in



Taiwan made substantial progress and gained considerable economic power. These people did not want to recover the mainland. They wanted only to transform Taiwan according to their own will to make Taiwan's political situation more suitable to their development needs. But since Taiwan's politics were monopolized by the KMT, the only possibility for newly emergent capitalist forces to enter the political stage was for newly emerged native Taiwanese capitalists to break through the political monopoly of the KMT. In order to contend for political power with the KMT, Taiwan's local forces adopted the slogan of "Taiwan independence" to call for the unity of native Taiwanese in all circles. Resolutely maintaining that "Taiwan's future should be decided by 17 million residents of Taiwan," they urged the Taiwan Government "to face reality in the critical moment of the international situation and to adopt effective measures to make Taiwan a new independent country."

After Taiwan's local forces formed organized political powers, the "Taiwan independence" movement was officially introduced to Taiwan Island, pushing the "Taiwan independence" movement to yet another new upsurge. A recent opinion poll in Taiwan shows that 15.8 percent of people now favor "Taiwan independence,"

which is obviously higher than the 3 to 6 percent in the past. This increase is obviously a special effect of political factors.

Currently, various signs indicate that "Taiwan independence" may enter a new third phase. Within the KMT of Taiwan, there is now a new force leaning toward "Taiwan independence" which is vigorously promoting such concepts as "internationalization," "one country, two governments," "dual recognition," and "political propaganda of independent national status" on the Taiwan issue. Their goal gradually becomes identical with "Taiwan independence."

The "Taiwan independence" movement is a temporary phenomenon which can create quite a stir sometimes, but it cannot withstand the test of time. Taiwan's wide-ranging social surveys prove that most supporters of "Taiwan independence" are people of lower-level education. They do not have enough information or understand the facts, so they are easily confused and fooled by rumors or swayed by emotional factors. Once the lie is exposed, "Taiwan independence" will go bankrupt and become castles in the air. It looks like an extremely important thing is to enhance the awareness of the masses.

**Brady Plan Discussed**

90OH0048A Taipei CHING CHI JIH PAO in Chinese  
27 Sep 89 p 2

[Editorial: "Preconditions To Joining the 'Brady Plan'"]

[Text] In July of this year, the U.S. Government, through the American Institute in Taiwan, officially communicated to our country the hope that we would formally join the "Brady Plan," the proposal by U.S. Treasury Secretary Nicholas Brady for alleviating the debt problems of Third World countries. The United States did so in recognition of the fact that our foreign exchange holdings have reached \$75 billion, ranking second in the world, and that we have the ability and the means to offer help in solving the serious debt problems of the Third World.

The "Brady Plan," first proposed on 10 March 1989 by Secretary Brady, seeks to have major commercial banks voluntarily reduce their creditor claims upon Third World countries to help them straighten out their economy and avoid a major worldwide financial crisis.

The American proposal has evoked mixed reactions in our country. There are those quite positive because we have ample foreign currency reserves and should offer to help. Inasmuch as we have already set up a "Fund for the Development of International Economic Cooperation" to help economic development in Third World countries, it would only be proper to help them reduce their debt.

However, others are restrained, maintaining that our banks are not creditors in these countries. Furthermore, the foreign exchange we possess belongs to the entire nation, and the Central Bank of China is merely the custodian. To touch the funds, it must still pass through the budget process, be approved and appropriated by the Finance Ministry. But we have had a budget deficit in recent years, and have had to rely on issuing bonds and using past surpluses to fill the gap. They are afraid that increasing funding would be difficult, and advocate careful study before deciding whether or not to participate.

One gasps at the weight of the Third World debt. In the past, we were one of the Third World's emerging nations, just like today's African and Latin American countries. But after 40 years, we have shaken off the poverty and backwardness of the past, and have become a newly arisen industrial nation. Foreign trade is growing rapidly, and capital from foreign exchange continues to accumulate unabated. But, except for only a few, the African and Latin American nations of the Third World are still poor and backward. Not only is the economy stagnant, but their debt is stacked high. In the past, they had received substantial financial aid from international and American sources and large loans from already emerged nations. Then why has there been no smooth economic development? Obviously, it is because they are not ambitious, and have not made proper use of the aid

given them. At the same time, most of these governments are bent on leaning leftward, dreaming about going down the socialist path. The result is a shriveled economy, keeping them in the ranks of the poor and backward.

Even when the Republic of China was still in the developmental stage, we had sent farming teams to help these countries, but we did not see any friendly reciprocity. When the United Nations expelled our country, they could not wait to kick us out. But in time, we threw ourselves into our work and, despite political setbacks, we stood up on our own feet and became the world's 13th largest trading nation. We now have accumulated \$75 billion in foreign exchange, and can help them solve their debt problems.

Of course, we have no desire to bring up past rights and wrongs, but are only regarding the current situation. At present, with the exception of a few countries, we have no diplomatic relations with the Third World. Although we do have some economic dealings, our commerce officials have found it very difficult to get permits to expand trade with them. Even our tourists have been discouraged in attempting to obtain visas. To ask us to extend a helping hand in the face of such discrimination requires considerable magnanimity on our part.

Of course, we do feel a compassion as "when others starve, we starve; when others drown, we drown." We want to help, but there are prerequisites.

We hope that, first of all, we will regain membership in the United Nations, and become a member of the International Monetary Fund and the World Bank. We can then participate in the Brady Plan without a cloud over our nation's head. Then we must renew our participation in the General Agreement on Trade Tariffs so that we may conduct trade as an equal and help these countries develop their trade to improve the economy.

As to the United States, we hope that diplomatic relations will be restored so that we may cooperate with the United States directly as equals to participate in and promote the Brady Plan. We also hope that the Third World, to obtain our help, will reestablish diplomatic relations as well.

Naturally, these hopes may be rather expansive; neither the IMF nor the World Bank wishes to offend Communist China. One official of the IMF made that quite clear by referring to Taiwan as "only a province of China." The World Bank's vice governor in charge of Asian affairs also emphasized that nonmembers may not be invited to trade and loan conferences even though when the nonmember ranked only below Japan in foreign currency reserves. He was obviously referring to us. While this was the attitude of the IMF and the World Bank, the United States was not exactly enthusiastic. We should not be too concerned and can look upon the Brady Plan as a means to win diplomatic recognition and to enter the international community. As we have

already created the Fund for the Development of International Economic Cooperation, we have the initiative. We can increase the fund and use it to establish a bilateral relationship with these Third World countries and exercise our influence. In this manner, we may make a larger contribution to our future economic and trade development.

**Advantages of Allowing Mainland Reporters To Visit**

changes in regulations. The administrative departments are concerned about and stress in this regard the potential of unfavorable consequences and side effects. They have to weigh advantages and disadvantages when arriving at a policy decision, and no one should blame them for this. However, the problem is not only the levels and angles those administrative personnel can see; a comprehensive assessment of the situation requires an overall view of the problem. Some conservative views on whether or not to permit mainland reporters to visit Taiwan are open to qu

own sources of information and can make their own judgments. As such, they are unlikely to misunderstand our actions.

Will allowing mainland reporters to visit Taiwan have a positive impact on us? Theoretically speaking, it should. Perhaps we should discuss the advantages and disadvantages of such a move. However, we do not want to go into this issue because of the many political and psychological factors involved with regard to relations across the strait. Discussing the advantages of allowing mainland journalists to visit Taiwan may help "sell" the idea to policymakers and the public, but it may increase the psychological hangup of Communist China. This will

politicize and complicate the matter. We want to say that no society can benefit from an isolationist and closed-door policy under the current world developments. Nor is it possible for any society to practice such a policy. Enhancing mutual understanding among different peoples through communication is the precondition for maintaining harmony and progress. The China issue should be resolved by the Chinese people themselves. Better understanding across the Taiwan Strait will benefit the future of the Chinese nation. Therefore, at a time when we are willing to initiate contact with East European countries, we should be able to increase our two-way communication with Communist China.

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